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FACT BOOK

on

Direct Response Marketing

(Statistical Update)

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The Direct Mail/Marketing Association is the largest and oldest international trade association representing users, creators and suppliers of direct mail advertising and other direct marketing techniques. DMMA's 4,000 members from 2,300 companies represent a cross section of business and are located in 48 states and 36 other countries. Offices are located at 6 East 43rd Street, New York, NY 10017, 1730 K Street, N.W., Washington, DC 20006, and 57 rue de la Chaussée d'Antin, Paris, France 75009.

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The statistical, promotional and advisory committees, whose members are listed below, provided knowledge, continuity and counsel in the preparation of the Fact Book. On the DMMA staff, Bonnie DeLay had responsibility for overall coordination, ably assisted by Merrie Craven.

Advisory Committee

C. Rose Harper, The Kleid Company
John Mecchella, Stone & Adler, Inc.
Nat Ross, Lincoln Graphic Arts, Inc.
Robin Smith, Doubleday & Co., Inc.
Andrew E. Svenson, Andrew Svenson Company

Promotion Committee

Annette Brodsky, Accredited Mailing Lists, Inc.
Shan Ellentuck, Ellentuck & Springer
Ed Pfeiffer, DMMA
Jim Springer, Ellentuck & Springer
Henry Shaw, McGraw Hill, Inc.
Donna Sweeney, DMMA
Ruth Troiani, DMMA
George Wiedemann, Grey Direct

Statistical Committee

Martin Baier, Old American Insurance Company
Gary Binder, Foote & Davies, Inc.
Michael Capetanakis, Grolier, Inc.
Robert Edmund, Edmund Scientific Company
Arnold Fishman, Maxwell Sroge Company (Chairman)
Ellen Messinger, Donnelley Marketing
Geane Hanrahan, Dun's Marketing Services, Inc.
Henry R. "Pete" Hoke, Hoke Communications
Tom Regnier, Fingerhut Corporation
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These committees provided unusual support for the staff. Their determination to produce the best possible Fact Book was evidenced by exhaustive meetings among themselves and with countless outside sources including the Census Bureau and the U.S. Department of Commerce. Some of these meetings have led to what will become an ongoing relationship, to evolve more and more statistical information for the medium.

Although many of the statistics in the rapidly-growing direct marketing field must be viewed as "best estimates", each new Fact Book seems to add substantially to the authoritative information available. Much of this is based on the assistance of committees and organizations and we are truly appreciative.

An example in this edition is the table of "Total Estimated Direct Response Advertising Expenditures" (page 1), perhaps the most frequently quoted Fact Book data. This year, for the first time, the expenditure figures are based on a DMMA member survey, conducted with the professional guidance of HAI, a New York-based statistical analysis group.

The 1981 Fact Book has also benefited from the continued involvement of many people who assisted with earlier editions. Statistics compiled by Arnold Fishman, Maxwell Sroge Company, Inc., have again been incorporated as a valuable source of information on consumer and business/industrial purchases in specific product and service categories.

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Authors:

Francis Andrews, American Fund Raising Services, Inc., *Fund Raising*
Martin Baier, Old American Insurance Company, *Definition*
Dick Barton, DMMA, *Government Regulations & Legislation; Delivery Systems*
Gary Bauer, DMMA, *Government Regulations & Legislation; Delivery Systems*
Art Blumenfield, Blumenfield Marketing, Inc., *New Technology*
Stanley Fenvessy, Fenvessy Associates, *Fulfillment and Customer Service*
Orlan Gaeddert, Orlan Gaeddert Research, *Role of Research*
Geane Hanrahan, Dun's Marketing Services, Inc.
C. Rose Harper, The Kleid Company, *Users of Direct Marketing; Psychographics & Demographics; Lists*
Dick Hodgson, Sargeant House, *Glossary*
Henry R. "Pete" Hoke, Jr., Hoke Communications, *New Technology*
Robert Kestnbaum, Robert Kestnbaum & Company, *The Bottom Line*
Jim Kobs, Kobs & Brady Advertising, Inc., *What Makes Direct Marketing Unique*
Roger Lourie, Time-Life Books, *Glossary*
Rudy Oetting, R.H. Oetting & Assoc., *Telephone Marketing*
Don N. Reeves, R.R. Donnelley & Sons Co., *New Technology*
Peter Rosenwald, Wunderman, Ricotta & Kline, *International Direct Marketing*
Nat Ross, Lincoln Graphic Arts, Inc., *A History of Mail Order*
Tim Sharpe, Response Industries, Inc., *Media*
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Foreword

This, the fourth edition of the Fact Book on Direct Response Marketing, is an updating rather than a complete revision of the previous edition in 1980. Most of the explanatory material is still timely and will not be revamped until 1982. However, where statistics were no longer current or where more accurate information was available, changes have been made in this edition.

The first Fact Book, published in 1978, provided a handy reference guide to the diverse direct marketing field. The 163-page 1979 Fact Book quickly sold out its limited edition of 2500 copies and a 1980 updating was then published. It, too, has been sold out and a 1981 revised edition seemed appropriate.

Each Fact Book has, we believe, evolved as an improvement on its predecessors. It is our intention to continue to re-evaluate, redefine, delete, add to and improve each new edition in the future.

Robert F. DeLay
January, 1981

A History of Mail Order

The history of mail order is a reflection of the socio-economic development of the United States. This is the underlying and central factor in the mail order story. It is as true today as it was in 1872 when Aaron Montgomery Ward of Chicago produced his first catalog ushering in the modern era of mail order.

This factor also explains why success in mail order has always been inextricably tied to an ability to predict, and even anticipate, the impact of social change on the marketplace and to the implementation of a sound marketing program which offers products and services that satisfy the changing needs, wants and interests of the consumer.

Beginning of Direct Distribution

In the post-Civil War period agrarian unrest was rife particularly in the Middle West. Farmers were embittered by high prices for products they bought and low prices for produce they sold. The main slogan of the farmers' organization, the National Grange, was: "Eliminate the Middleman". And that was precisely what Ward did, and headlined his catalog the "Original Wholesale Grange Supply House". He had introduced a new method of distribution, a direct way of doing business by eliminating the middleman, the retailer and the ubiquitous country store.

Ward was an honest, progressive and shrewd merchant. In 1875 he initiated the money-back guarantee which remains the backbone of mail order to this day. In this same economic and social environment, Richard Sears started his mail order business in 1886. Both Ward and Sears were aided immensely in the post-Civil War period by the rapid growth of industry, the railway system and the Post Office. The introduction of mass production at the time enabled them to offer an ever-increasing variety of products in their catalogs.

A Mail Order Phenomenon

New cultural, social and economic winds were blowing across the land in the first quarter of this century. A national resurgence was developing along with a renaissance of philosophy and education, of literature and art, symbolized by Theodore Roosevelt and Woodrow Wilson, William James and John Dewey, Theodore Dreiser, Sinclair Lewis, Eugene O'Neil and Frank Lloyd Wright. The early 20s marked the appearance of *Time*, the *New Yorker* and the *Saturday Review of Literature*.

Another milestone in the mail order saga came in 1926 when Harry Sherman and Maxwell Sackheim founded the Book-of-the-Month Club. Sherman and Sackheim were veteran mail order men. They were aware of the paucity of bookstores outside the big cities and the existence of 50,601 post offices capable of delivering the mail and books economically and expeditiously.

Even more important was the growth in public and higher education and the changing social milieu, both of which were conducive to the vast increase in book reading and the unfulfilled desire for good books. Out of this environment came that remarkable mail order phenomenon, the Book-of-the-Month Club.

It was during this era that the Direct Mail Advertising Association, predecessor of the Direct Mail/Marketing Association, was established (1917) and Third Class Bulk Mail was instituted (1928)—signs that direct mail was coming of age.

Postwar Emergence of Specialty Firms

The years following the defeat of Nazi Germany in 1944 brought still another mail order milestone. Goods were scarce and demand high. It was a seller's market. The vacuum it left behind gave rise to a host of specialty companies such as Spencer Gifts, Sunset House, Foster and Gallagher, Hanover House and others. They all featured new products and gadgets of both foreign and domestic manufacture. This period also saw the phenomenal genesis of Fingerhut and a variety of cheese and food companies, nurseries, and many others.

Reaching the Affluent Consumers

In the 1950s, the United States was the unchallenged economic and political world power. The expanding economy was reaching out to larger segments of the affluent professional and middle classes. The Columbia Record Club came on the scene in response to the growing music market that included the new mass teen, student and youth population.

By the end of the decade, Time-Life Books had recognized the need to supply the increasing millions of educated and affluent professionals and middle class people with fine quality books both in content and format, even if they were occasionally used as coffee table "printature".

Time-Life Books also pioneered, with unparalleled success, the now widespread practice of utilizing the parent company's house list as a source for developing new products and new mail order business.

The arrival of Roger Horchow, in 1974, reflected a need to cater to the prosperous middle class with a convenient way to order a wide variety of fine products as gifts for the home and the individual. In the mid-70s, the publication by JS&A National Sales Group, Northbrook, Ill., of the catalog *Products That Think*, marked the full-fledged entry of mail order into the exploding microelectronics area with its unending array of new products.

Credit Cards Spur Growth

The credit card revolution, that began in the 50s and continues unabated today, has had an enormous impact on mail order growth and opened new vistas in high ticket merchandise and syndication. This trend was manifest especially among oil companies, banks, American Express and other T&E credit cards. The airlines have also stepped up their participation in mail order particularly with in-flight catalogs featuring gifts, accessories and other fine products.

During the past quarter century, the entrance into mail order of a considerable number of Fortune 500 companies, national retail establishments and department stores, testifies both to its growth and potential as well as to its increasing ability for using technology, research, media and markets in a more professional way.

Early Success of L. L. Bean

A review of the mail order industry would be incomplete without a comment on the legendary L. L. Bean. This small entrepreneur—armed with courage, integrity and foresight—in 1912 founded one of the soundest and most successful mail order companies on the strength of a rubber-soled leather hunting boot he had invented. In the early years, sales improved slowly, but surely, while the company began offering new products in outdoor clothing and equipment. By 1957, sales totaled $4 million. In the decade between 1967 and 1977, sales increased twelvefold to $60 million.

Throughout more than half a century of business, L. L. Bean's policy has remained unchanged; namely, to offer good merchandise at a reasonable price and to provide good customer service. The company had recognized early in the 60s that profound social changes were taking place which would also change the outdoor sports and recreation market, from a "class" to a "mass" market, and had offered new products to satisfy the emerging needs of the consumer. Perhaps a failure to understand this crucial sociological fact may account for the demise of some other mail order companies in recent years.

Sears Introduces Charge Accounts

There is no doubt that, from its inception, the term "mail order" has served as an accurate and felicitous phrase. For over 50 years, mail order was exactly what it said: to order by mail. In fact, during this entire period the post office was the primary and, usually, the sole vehicle for mail order promotion and for ordering and delivering. As times and conditions changed, the means for carrying out the mail order operation also changed and improved. This can best be seen by examining the development of the Sears Roebuck mail order operation.

In 1911, Sears, in the interest of increasing sales to its customers, introduced credit, which has since become one of the major factors in mail order growth. In 1975, according to *Business Week*, 53% of Sears' 22-million customers, from both stores and catalogs, were charge accounts. A similar trend is true of the other companies in the "Mail Order Big 5" (Ward, Penney, Spiegel, Alden), both in their store and mail order accounts.

Impact of Social Change

In 1925, Sears opened its first retail store starting a trend that is highlighted today by the increasing interconnection between mail order companies and their retail outlets, and vice-versa. The important question for us, if we are to understand the evolution of mail order, is why Sears moved so rapidly ahead with retail stores from the 20s through the 50s. The answer lies in Sears' uncanny social vision and ability to anticipate the impact of social change on the marketplace and on the consumer's purchasing habits.

During these years radical changes took place, symbolized by the growth of the automobile and the national highway system, the Great Depression of the 30s and vast demographic changes in a rapidly increasing population, World War II and its aftermath. The auto has been responsible for transforming the social map of the United States—particularly for the rise of the cities (and later their decline) and the suburbs. It determines how and where we live, work, shop, use our leisure, and where we locate our factories, schools, hospitals and shopping centers.

It was Sears, the country's largest dry goods merchandiser, that became the pacesetter for auto accessories, supplies and tires, as well as for appliances and other durable goods. Sears became the main supplier to a population eager to get the products they needed and wanted to satisfy their changing mores and lifestyles. By the 50s Sears had set up a network of catalog desks, catalog stores and agencies in key urban and suburban areas around the country to meet the new and growing demands of mail order. During the 60s, the telephone became the major vehicle for ordering (as well as for soliciting orders from customers), and the pace has continued to accelerate ever since. Today, only 3% of Sears' catalog orders come via the mails. The same trend is true for the other "Big 5" mail order companies.

Direct Response Marketing Opens Up

Mail-order advertising in newspapers and magazines has continued down through the years but, in 1959, it reached a turning point. It came in the form of a 4-page, bound-in card stock, centerfold insert with a perforated BRC. This appeared in *TV Guide* for Columbia Record Club and was created by Wunderman, Ricotta and Kline. This revolutionary production technique opened up new direct response possibilities and led to a rapid growth of bind-in inserts in a variety of formats, as well as serving as an impetus to mail order print advertising. In this period, with the increased use of new media and new techniques, the term "direct response" (or direct response advertising and later direct response marketing) came into vogue and rightly so.

Technological and Communications Revolution

Direct mail grew rapidly in the late 40s, both in quantity and in variety of formats, as new promotion techniques—stamps, tokens and premiums—became more effective. Direct mail was then, and remains today, the underlying base of the multimedia revolution with the list at its core.

It was in the late 60s that the term *direct marketing* came into use as a means of describing the new and broad media and marketing processes that had been developing in direct response. The genesis of this popular concept can be found in the continuing technological, economic, social, political and cultural changes that have occurred since the end of World War II. The whole process involved the full range of products and services, of markets and media, in its comprehensive scope. In a word, direct marketing reflected the temper of the times, its *Zeitgeist*.

Keystone of the technological and communications revolution was the computer along with the telephone and its WATS line, data phones, etc.—tools that were made more necessary by the energy crisis and the need for energy conservation. Add to this technological advance the tremendous impact made on direct response by the advent of the ZIP Code, the census tract and the credit card.

There is no doubt that the universal hope generated by the eclipse of Nazi Germany and the rise of the United States as a dominant world power helped bring about the revolution of rising expectations during the 50s and 60s that extended across the entire political spectrum. This was expressed in the civil rights and consumer movements, the student and youth revolt, women's liberation and the senior citizens' movement. These popular movements effected a change on the entire social fabric and lifestyles of the people of our country.

Working Women On The Increase

The single, most crucial factor in this social upheaval has been the meteoric increase in the employment of women. In 1978, 41 million, or 50%, of all women were in the labor force. Of 14 million new jobs added in the past decade, *10 million went to women*.

The Post-Industrial Society, as it is often called, is more and more female-centered in employment. Seventy percent of all jobs are now in the service industries: health, travel, leisure and recreation, art and entertainment, non-profit institutions, civil service, education and information and knowledge industries (including research and development), new communications and communications industries, data processing machinery and services, etc.

Changes In The Marketplace

For direct marketers, it is vital to remember that this social transformation is changing the marketplace. According to a recent psychographic study, families with two incomes entertain more, use stereo, are into do-it-yourself, are prime prospects for microwave ovens and their time-saving system of meal planning preparation.

Today's consumer is educated and sophisticated and more skeptical of advertising. He or she wants more information and less exaggeration. In these inflationary times the consumer wants sound value, i.e., quality and a reasonable price. Consumers are concerned with the quality of life, self-realization and a variety of experiences and not only with acquiring products. Marketers must understand that a multiplicity of markets exist side-by-side and are ever-changing; that the individual consumer is contradictory at different times with changing values and attitudes, and with distinct tastes and interests which make up his or her lifestyle. In this complex situation more direct marketers recognize the significance of the modern marketing concept which tries to get the company to stock what the consumer wants and needs. Fortunately, new tools in technology (e.g., the incipient home computer systems) and advances in biology, psychology and the social sciences, make it possible for direct marketers to become more professional in product development and research and in market research and analysis, in order to better zero in on what makes the consumer tick.

An understanding of psychographics has become the prime factor in today's targeted marketing. One recent study showed that in similar demographic areas in California and New York, sales of pools, cook-out and garden products were twice as high in California. A top Sears executive has stated that his company "Makes a scientific examination of the consumer along psychographic lines and, from these, charts psychological traits and likely consumer behavior." These changing wants and needs of the consumer are then coordinated with product development and a marketing program. In the past decade Sears has increased its special interest catalogs to over 40 including, for example, *Accessories for Mobile Hames and Recreation Vehicles* and another for *Home Care and Convalescent Needs.*

J.C. Penney's catalog customers can be coded with more than 700 classifications for the purpose—decisive for mail order—of creating and keeping a customer.

Dr. Hazel Henderson, a well known futurist, sees the growth of direct marketing as a viable option in our era of energy shortage and conservation. She sees evolving an informal network of communications and organizations among consumers throughout the country who are non-conformist and concerned with the quality of life and self-fulfillment. It should also be noted that there are an estimated 37-million volunteers for voluntary organizations in the United States as well as millions of consumers in cooperative organizations.

Fine Tuning The Media

The currently increasing use of a multiplicity of media requires that each individual medium be refined for more effective targeted marketing. Equally important, if not more so, is the significance of media's interrelationship and interdependence as a means of achieving a synergistic effect. Nowhere is this more visible than the rapid development in the mid-70s of support response advertising such as TV support for direct mail and print, and the increasing trend of telephone support for direct mail.

Definition of Direct Marketing

Because direct marketing is so diversified, involving almost every advertising medium and used, to varying degrees, by virtually every type of organization, it is not an easy field to define precisely. For some marketers, for example, it is their basic way of doing business; for others it is a relatively small facet of their overall operation. As a result, accurate and comprehensive information is not always readily available.

One of the objectives of the Fact Book continues to be a refinement of terminology. Although it is still common to hear terms such as direct mail, direct response, mail order and direct marketing used synonymously, there is a continuing better understanding of the functions, techniques and methods of each of these disciplines. Thus, surely, a more precise body of terminology will follow.

There is general agreement on the different media now employed by direct marketers. Direct mail and telephone marketing are the two most widely used media in direct marketing. However, the potential of the electronic media (radio and TV direct response) remains virtually untapped. The proliferation of cable TV may bring about an additional direct response weapon that could have a significant impact on media employed. Of course, mail order space in newspapers and magazines continues to be significant in the total direct marketing media–mix and newspaper inserts, couponing, co-ops and syndications continue to provide economical techniques of response advertising.

It is our feeling that direct marketing should not try to be all encompassing. The DMMA Board of Directors has steadfastly defended the position of allowing direct marketing to evolve.

For example, the retail field indicates some of the difficulties. More and more retailers are issuing catalogs. Yet, the Census Bureau of the Department of Commerce does not, at present, gather specific information on the retail catalog business. So it is necessary to make judgments about what should and should not be included in summary figures about the direct marketing operations of retailers. In this Fact Book, we include retail catalog sales but exclude general over-the-counter retail sales and advertising. Similarly, door-to-door and direct selling (such as in-home sales parties) are not included as direct marketing.

With those facts in mind we present a definition of direct marketing not as a be-all or end-all—merely as a realistic evolution of the business and way of doing business that is currently being practiced by our members.

Thus, for those direct marketers who are in the business, and for those firms investigating how it can complement or supplement their traditional methods, the following definition should suffice:

Direct Marketing is the total of activities by which products and services are offered to market segments in one or more media for informational purposes or to solicit a direct response from a present or prospective customer or contributor by mail, telephone or other access.

1

State of Art

A. Scope of Direct Response Marketing

We estimate that in 1979 (the base year for all figures in this book unless otherwise noted) total goods and services purchased in the United States as a result of direct response marketing amounted to $99 billion, based on a conservative estimate of approximately 1/5th of direct marketing costs as a percent of gross sales.

In 1959, the U.S. Congress appropriated $200,000 for the Department of Commerce to conduct a study on the *Economic Impact of Third Class Mail Rates*. One result of the study determined that the sales volume of direct mail was $29 billion. In succeeding years, in order to keep the figure current, it was increased in proportion to the Consumer Price Index. By 1975 the sales volume had reached $60 billion.

However, by 1975, direct marketers were not only using the mails to deliver their solicitations but were using all media. And the new sales volume figure had to reflect that fact.

It is only since the early 1970s that efforts have been made by most of the media to break out direct response marketing's share of advertising expenditures. As the national trade association for direct mail/marketing, DMMA has been tracking direct mail advertising expenditures since 1936.

Total Estimated Direct Response Advertising Expenditures – 1979

	(in millions)
Coupons	72.0
Direct Mail (postage, paper & production)	8,876.7
Magazines (mail order merchandise only)	123.0
Business Magazines (industrial products only)	47.0
Newspapers	54.4
Newspaper Preprints	1,779.5
Telephone*	8,555.6
Television	217.0
Radio	23.0
GRAND TOTAL	$19,748.2

Note: Creative costs not included in any of the above figures.

*1978 figure. See explanation, page 52.

Sales figures are even more difficult to ascertain because the majority of companies in the United States consider all dollar figures to be proprietary. Even in publicly-owned companies, figures are not often available because separate accounting lines are not normally maintained for direct marketing activities.

Direct Mail Advertising Expenditures

These figures include only postage and production cost estimates.
They do *not* cover estimated costs of direct mail creative services.

1936	$266,010,365	1950	$ 918,660,480	1964	$2,354,015,000
1937	$277,851,087	1951	$1,056,296,826	1965	$2,408,275,000
1938	$269,869,569	1952	$1,171,088,984	1966	$2,551,148,000
1939	$277,292,494	1953	$1,256,393,834	1967	$2,581,634,000
1940	$278,221,589	1954	$1,374,882,915	1968	$2,796,013,000
1941	$293,981,595	1955	$1,485,261,000	1969	$2,725,618,000
1942	$274,369,636	1956	$1,554,068,971	1970	$2,827,026,000
1943	$268,036,066	1957	$1,615,826,302	1971	$3,432,191,000
1944	$271,991,230	1958	$1,777,039,094	1972	$3,406,483,000
1945	$241,960,283	1959	$1,930,588,964	1973	$3,990,063,000
1946	$278,797,152	1960	$2,027,016,075	1974	$4,749,689,000
1947	$482,737,477	1961	$2,111,523,778	1975	$5,063,525,000
1948	$574,527,477	1962	$2,029,308,000	1976	$6,025,639,000
1949	$863,989,380	1963	$2,215,172,000	1977	$6,966,680,000
				1978	$7,298,184,000
				1979	$8,876,683,000

Source: DMMA Information Central

B. Direct Marketing Facts and Figures

1. Consumer Products & Services

As the 1981 *Fact Book* attempts to illustrate, mail order is a handy, familiar term which will continue to exist. But, in reality, from the merchandiser's standpoint, it no longer exists.

Merchandisers are using all the media for their direct response marketing advertisements, consumers are using a variety of ways to order.

Therefore, instead of segregating mail order as a separate figure, we have elected to treat all consumer products and services as direct response marketing sales of which the table below is a partial list. In future editions of the *Fact Book*, we will endeavor to obtain reliable estimates for many others, including:

- Boating & Yachting
- Business & Finance (stocks, bonds, etc.)
- Newspaper Subscriptions
- Pets & Pet Products & Services
- Shoes (men's, women's & children's)
- Toys

Arnold Fishman, Maxwell Sroge Company, has furnished the information and statistics on pages 3, 4, 5, and 6.

Estimated Sales Figures for Selected Consumer Products And Services Sold Via Direct Response Marketing (Includes Telephone Orders)

By Product Category ($000's)	**1979**
Specialty Merchandisers	
Auto Clubs	$ 400,000
Automotive	180,000
Books*	1,388,000
Collectibles (Manufactured)	920,000
Cosmetics	160,000
Crafts	550,000
Educational Services	390,000
Electronic Goods	330,000
Foods	500,000
Gardening and Nursery Products	375,000
General Merchandise/Home Furnishings/Housewares/Gifts	2,700,000
Health Foods and Products	425,000
Insurance	4,000,000
Jewelry	110,000
Magazine Subscriptions	1,900,000
Photofinishing	400,000
Prescriptions	150,000
Ready-To-Wear	**1,340,000
Records and Tapes	478,000
Sporting Goods	780,000
Tools/Home Repair	300,000
Specialty Merchandiser Sub-total	$17,776,000
General Merchandisers	
Major Catalog Retailers	$ 4,847,000
Department Stores	2,437,000
Oil Company Credit Card Mail Order	600,000
Travel & Entertainment Credit Card Mail Order	115,000
General Merchandiser Sub-total	7,999,000
INDUSTRY TOTAL	$25,775,000

*Books Breakdown	
Book Clubs	$ 502,000
Mail Order Publications	486,000
Other Mail Order (trade books, professional, mass paperbacks, university presses)	400,000
Total Books	$ 1,388,000

**$1,340,000 is estimate for Ready-To-Wear through primary ready-to-wear mail order businesses. $2,200,000 is estimate for Ready-To-Wear including both primary and secondary ready-to-wear mail order businesses. (Ready-To-Wear in Sporting Goods, Gifts and General Merchandising Categories.)

By Mode of Ownership	**Sales (000's)**	**Estimated Total Profit (000's)**
Publicly Held Companies:		
Independent*	$ 1,050,000	$ 76,650
Divisions or Subsidiaries	4,300,000	365,500
Privately Held Companies		
Greater Than $5MM in Sales	4,300,000	344,000
Less Than $5MM in Sales	**2,940,000	161,700
Unclassified Categories		
Major Catalog Retailers	$ 4,847,000	
Department Stores	2,437,000	
Insurance Sales	4,000,000	
Magazine Subscriptions	1,900,000	
INDUSTRY TOTAL	$25,775,000	

*Excludes Insurance and Business-To-Business.

**Reflects upward revision of estimate of share of total sales as well as growth.

Total Estimated Industry Volume of Selected Consumer Products and Services Sold Via Direct Response Marketing (Includes Telephone Orders):

	1979 Amount (In Billions)	Mail Order % of Total Industry Volume
Total Mail Order (1)	$ 25.8	100.0%
Gross National Product	$2,368.8	0.9%(3)
Total U.S. Retail Sales	$ 886.0	2.5%(4)
Total General Merchandise Sales (2)	$ 220.5	9.7%(5)
Total Mail Order *Including* Charitable Contributions	$ 43.0	

It is estimated that 10,000 businesses employed mail order to market their products. Per capita mail order expenditures on products and services equaled $117.

(1)
- Spending by consumers only, excluding any spending by businesses.
- Spending on products and services excluding charitable contributions.
- Spending where the *order* for the goods or services was placed through the mail or over the phone, excluding any ordering by coming into a store (orders in catalog departments or catalog showrooms, orders in a department store in response to receiving a catalog, and orders by personal or party sales are excluded).

(2) Sales by: General Merchandise Group Stores
Apparel and Accessory Stores
Hardware Stores
Auto and Home Supply Stores
Furniture, Home Furnishing and Equipment Stores

(3) Total mail order, minus financial services ($4.0), divided by gross national product.
(4) Total mail order, minus financial services ($4.0), divided by total U.S. retail sales.
(5) Total mail order, minus financial services ($4.0) and food ($0.5), divided by total general merchandise sales.

Methodology:

The total estimated industry volume of selected consumer products and services sold via direct response marketing (including telephone orders) for 1979 involved an updating of the Maxwell Sroge Company Mail Order Industry Information Data base:

(1) The U.S. mail order industry is structured by mode of ownership within product categories.
(2) Within each product category a company structure is developed after a systematic review of:

- Industry Lists
  Fortune 1250
  D&B Million Dollar Directory
  Standard Rate and Data Service Directory
  Economic Information Services Listings
  Directories of Mail Order Companies
- Maxwell Sroge Company Information
  Research File
  Catalog File
  Special Reports

(3) Estimates of sales are developed for each company in each product category. Data sources are:
Company reported data
D&B Million Dollar Directory data and Dun's Marketing data
Standard Rate and Data Service List data
Economic Information Service data
List Broker data on individual lists
Business literature data
Maxwell Sroge Company data

The most authoritative available data is used for each company. Where list data is used for the derivation of the estimate, a method is applied based on extensions of active buyers, frequency of buying and average order size.

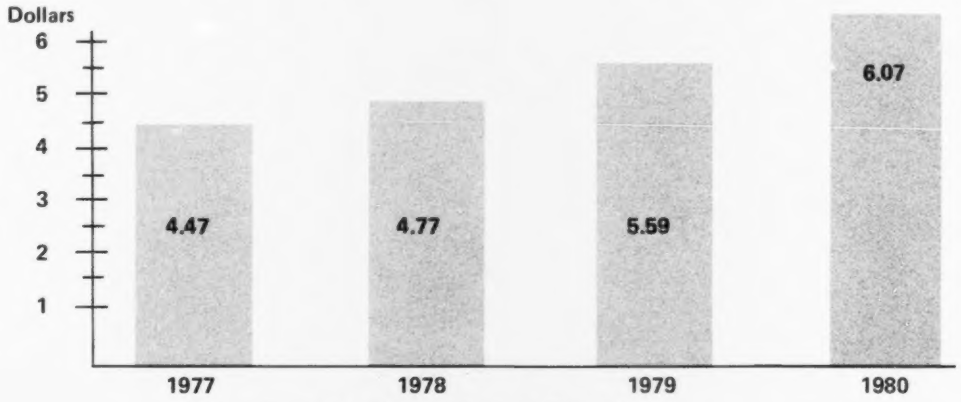
(4) There are two steps in developing aggregate estimates for each product category:
   1. Summing company estimates across each category and applying an estimate of concentration of sales of the included companies to project a total for the category.
   2. Comparing the estimate developed across companies with any available external estimates for the product category and making appropriate adjustments.

(5) Employing estimates developed by mode of ownership within each product category to:
   - Build the overall industry estimate
   - Structure overall industry sales by:
     - Product Categories
     - Mode of Ownership

As noted on page 2, the above information was furnished by Arnold Fishman, Maxwell Sroge Company.

2. Cost of Average Business Letter

The average cost of a business letter moves up to $6.07. This 1980 figure represents a 9% increase over 1979's $5.59. Combined salaries of originator and secretary account for well over half of the new figure. Fixed costs, materials, mailing costs and filing account for the rest.



Source: Dartnell Institute of Business Research

3. Leading Catalog and Mail Order Sellers of Merchandise

Company	Estimated 1980 Sales Volume (in Millions)
Sears Roebuck Company	$3,019
J.C. Penney Company	1,455
Montgomery Ward (Mobil Corporation)	1,250
Spiegel (Beneficial Financial Corporation)	427
Aldens (Gamble Skogmo) (Now Wickes Corporation)	353
Herrschner (Quaker Oats)	343
Finger Hut (American Can)	300
Sunset House (Carter Hawley Hale)	269
Spencer Gifts (M.C.A. Inc.)	194
L.L. Bean	78 (excludes retail of $15)
Ambassador Leather (Arizona Nat'l Marketing Co.)	78
Lee Ward's (General Mills)	65
Swiss Colony	60 (excludes retail of $10)
Eddie Bauer (General Mills)	60
Hanover House (Horn & Hardart Company)	60
Sheplers (W.R. Grace Company)	53
New England Business Forms	52
Galena Enterprises (Springhill, Brecks, Foster Gallagher)	51
Roamans	47 (excludes retail of $38)
Looart	42
Horchow Collection	35
F.I.G.I. (Chemed, W.R. Grace)	30

4. Fund Raising

During 1979, a total of 43.31 billion was contributed to nonprofit organizations—up approximately 9% from 1978.

According to the American Association of Fund Raising Counsel, Inc., compilers and publishers of the statistics, contributions were received as follows:

Individuals	$36.54 billion
Bequests	$ 2.23 billion
Foundations	$ 2.24 billion
Corporations	$ 2.30 billion
	$43.31 billion

Gifts were given to the broad categories of philanthropy as follows:

Religion	$20.14 billion
Health & Hospitals	$ 5.95 billion
Education	$ 5.99 billion
Social Welfare	$ 4.35 billion
Arts & Humanities	$ 2.70 billion
Civic & Public	$ 1.24 billion
Other	$ 2.94 billion
	$43.31 billion

Direct mail fund raising continued its steady growth as nonprofit organizations mailed 7,302,724,000 pieces of mail at the nonprofit, third class postal rate. Compared to total volume in 1978 of 7,188,651,000, the unit increase totalled 114,073,000 or a drop of 502,578 over the prior year. Thus, the annual gains in the 10% range, compounded, dropped to 1.6% during 1979.

Since approximately 23% of all nonprofit bulk mail has been estimated as fund raising mail, this segment is estimated at 1.68 billion pieces in 1979.

The annual analysis by American Fund Raising Services, Inc., while only an educated estimate, shows that approximately $16.1 billion were raised by direct response methods in 1979, the bulk of which was raised in direct mail or mail assisted campaigns.

As in past years, many categories of income, not considered by some to be fund raising, fall within the estimate. Ticket subscriptions by mail for performing arts groups, donations to political causes, appeals by trade unions, subscriptions sold as a membership service and memberships in nonprofit organizations are typical examples.

Of the total raised by mail, American Fund Raising Services estimates that half, or approximately $8 billion, was raised by local religious organizations in mail related campaigns.

The balance is presumed to have been raised by colleges, hospitals, health and welfare organizations, social action, overseas relief, conservation, ecology, and political action groups.

As in the past, most of the 210,000 nonprofit postal permits are issued to local groups such as churches, clubs, associations, and cultural organizations.

Because of the local nature of direct mail, most pieces travel less than 1,000 miles from the point of origin.

As in the past, approximately 60% of mail fund raising income is from donor and membership renewals, with 40% being spent on the acquisition of new donors and members.

An increasing number of large sweepstakes mailings was a feature of 1979, spreading rapidly from the idea spawned by one national health organization. While insignificant in terms of total nonprofit mail volume, it is estimated that up to 100,000,000 sweepstakes pieces were mailed by charitable groups during the year.

No reliable figures are available to estimate fund raising costs as a percentage of income received. AFRS estimates that an overall fund raising cost, excluding staff overhead, will be found in the 25% range. Organizations with a consistent program of investing in new donors will range somewhat higher, and those using volunteer labor and contributed materials will range considerably lower.

While the dollar totals invested in direct mail are not available, the usual split of expenses at the commercial level involve 25% for materials and printing, 25% for postage, and 50% for labor and overhead expenses.

In 1979, as in prior years, it is estimated that one out of three charitable dollars was raised directly by mail or in mail assisted campaigns.

C. Users of Direct Response Marketing

At some time or other, almost all business organizations, civic, religious, political, labor, cultural, sport and other groups and individuals have used direct mail or direct marketing.

Businesses: Many, particularly small businesses, rely on direct response marketing as one of their primary sales tools. Some of the categories of business are: Mail order merchandisers, magazine and newspaper circulation departments, financial institutions, retail stores and industrial and service organizations. In all the above categories, the giant "Blue Chip" corporations are well represented.

Civic and Other Groups: PTA's, church organizations, colleges and universities and charities use it to keep members informed, to solicit funds and to promote understanding. Political organizations, office holders and candidates use direct response marketing to change public opinion, inform constituents and raise campaign funds.

Individuals: Anyone who has ever compiled a list of friends and sent them Christmas cards, wedding invitations, birth or graduation announcements has used direct mail. Job hunters have found the mail an excellent medium to get their resumes to prospective employers and many now launch relatively large direct mail campaigns.

Leading Industries Using Direct Response Marketing

1. Periodical Publishers
2. Food Stores and Distributors
3. Mail Order Houses (Catalog Mailers)
4. Department Stores
5. Book and Record Publishers
   (Includes Book/Record Clubs)
6. Automotive Manufacturers
7. Drug Manufacturers
8. Book and Stationery Stores
9. Newspaper Publishers
10. Home Furnishing Stores
11. Insurance Companies
12. Credit Card Companies
13. Financial Institutions

Representative Companies In Direct Response Marketing

Consumer Books & Magazines

American Heritage Publishing Co., Inc.
American Photographer
Architectural Digest
Better Homes & Gardens
Bon Appetit
Book-of-the-Month Club, Inc.
Encyclopaedia Britannica
Esquire Magazine, Inc.
Funk & Wagnalls, Inc.
Grolier, Inc.
Harper's Magazine
Highlights for Children, Inc.,
Los Angeles Magazine
Macmillan
McCall's
The Mother Earth News
Ms. Magazine
Newsweek
New York Magazine
Popular Gardening Indoors
Quest/79 Magazine
The Reader's Digest Association, Inc.
Saturday Review
Southern Living
Sports Illustrated
Texas Monthly
Time-Life Books, Inc.
Time Magazine
U.S. News & World Report
Ziff-Davis Publishing Co.

Business Books, Magazines & Services

American Management Associations
Barron's
Boardroom Reports
The Dreyfus Corp.
Financial World
Forbes
Fortune
Harvard Business Review
Kiplinger Washington Editors, Inc.
McGraw-Hill, Inc.
Merrill Lynch Pierce Fenner & Smith
Money Magazine
Prentice-Hall, Inc.
Research Institute of America
Standard & Poor's Corp.
Wall Street Journal
Warren, Gorham & Lamont, Inc.

Consumer Catalogs & Merchandise

Aldens
Ambassador International
CBS/Columbia House
Collector's Guild, Ltd.
Edmund Scientific Co.
Fingerhut Corp.
Foster & Gallagher, Inc.
The Franklin Mint
Hallmark Cards
Horchow Mail Order, Inc.
International Silver Co.
The King Size Co.
L. L. Bean, Inc.
LeeWards Creative Crafts, Inc.
Montgomery Wards
JC Penney
RCA Records
Spencer Gifts
Spiegels
The Talbot's
The Tog Shop, Inc.

Business Merchandise

Adirondack Direct
Ames Taping Tool Systems, Inc.
Baldwin-Cooke Co.
Commercial Optical Co.
DayTimers
The Drawing Board, Inc.
Elin Uniform Manufacturing Co.
Jensen Tools and Alloys
Myron Manufacturing Corp.
Pitney Bowes, Inc.
Seton Name Plate Corp.
Weber Marking Systems
Xerox Corporation
Xerox Learning Systems

Specialty Foods

Alamo Fruit, Inc.
Figi's, Inc.
House of Almonds
Omaha Steaks International
Pepperidge Farm Mail Order Co., Inc.
Swiss Colony
Wisconsin Cheesemakers Guild
Wisconsin Cheeseman

Credit Cards

American Express
American Oil Co.
Carte Blanche
Citibank
Diners Club
Exxon Travel Club
Gulf Oil Co.
Master Charge/InterBank
Mobil Oil Co.
Playboy Clubs Enterprises, Inc.
Shell Oil Co.
VISA

Trade & Professional Associations

AFL-CIO
Aircraft Owners & Pilots Assn.
Airline Passengers Assn., Inc.
American Bankers Association
American Bar Association
Common Cause
Democratic National Committee
National Restaurant Association
Republican National Committee

Civic, Charitable & Other Groups

A.S.P.C.A.
Alaska Division of Tourism
American Civil Liberties Union
American Film Institute
American Foundation for the Blind, Inc.
American Museum of Natural History

Billy Graham Evangelistic Association
Boys' Clubs of America
Brooklyn Public Library
CARE, Inc.
Center for Humanities, Inc.
Consumers Union of the U.S.
Disabled American Veterans
Fordham University
Franciscan Mission Associates
Fund for Animals
Legal Aid Society
National Geographic Society
National Trust for Historic Preservation
National Wildlife Federation
North Shore Animal League, Inc.
Project Hope
Public Broadcasting System
Salvation Army
Save the Children Federation
Smithsonian Magazine
Wilderness Society

Industrial Companies

Aer Lingus
American Airlines
American Telephone & Telegraph Co.
Bell & Howell
Bristol-Meyers
Colgate-Palmolive Co.
Continental Airlines
Dow Chemical
E.I. duPont de Nemours and Co., Inc.
Ford Motor Co.
GTE/Sylvania
Gillette
International Business Machines Corp.
KLM Royal Dutch Airlines
Manufacturers Hanover Trust
Monsanto Co.
National Cash Register
National City Bank
PPG Industries
Stauffer Chemical Co.
Texaco
3M
Timex
Union Carbide
United Airlines
United Steel Corp.
Xerox Corp.

Insurance

Allstate Insurance Companies
Bankers Life & Casualty Co.
Colonial Penn Group, Inc.
Commercial Travelers Mutual Insurance Co.
CUNA Mutual Insurance Society
Gerber Life Insurance Co.
Guarantee Reserve Life Insurance Co.
International Group Plans, Inc.
Mutual of Omaha
J.C. Penney Insurance Companies
National Liberty Marketing, Inc.
Nationwide Mutual Insurance Co.
Old American Insurance Co.
Physicians Mututal Insurance Co.
United Equitable Life Insurance Co
United Services Automobile Assn.

D. What Makes Direct Response Marketing Unique

According to Jim Kobs, author of *Profitable Direct Marketing*, the four key factors that set direct response marketing apart are:

1. **Advertising and Selling Combined.** General advertising transmits ideas about products and services with the actual sale happening somewhere else. Direct marketing combines the advertising and sales functions into a single ad, mailing or commerical.
2. **Build-In Result Feedback.** Inherent in direct marketing's appeal is its self-measurement. The reply cards, coupons, and phone calls that come back—the inquiries, orders, and payments—give you an opportunity to measure virtually every element of your marketing program.

   As a result, direct marketing is the most scientific method of advertising. You can find out which creative approach motivates the most people; if a computer letter is better than a printed one, whether a premium is cost effective; or whether a particular list or publication delivers an acceptable selling cost. In short, you know what's producing and what isn't.
3. **Service Concept Adds Value to Products.** For example, the sale of individual books at retail can become a book club when offered by mail. Likewise a magazine: Buy one at the newsstand and you're buying a product. But a year's subscription, delivered to your door, is a service. Even a direct marketing merchandise offer becomes somewhat of a service by offering convenient monthly terms or a free home trial.
4. **Action Oriented for Impulse Sales.** Various studies have shown that the majority of retail sales are planned purchases. Direct marketers, on the other hand, know that most customers aren't sitting home waiting for an attractive ad or mailing to land in their lap. So they design their efforts to stimulate unplanned purchases or impulse sales. And everything they do is geared to make it as easy as possible for the prospect to place an immediate order.

   While the general advertiser specializes in "conditioning" for future sales, the direct response

advertiser specializes in selling now. The general advertiser says, in effect: "When you have a need that our product will satisfy, remember to buy it." The direct response advertiser says, in effect: "Here is our product. Buy it. NOW."

Add up all these unique characteristics, and you'll see why direct response marketing can be described as a *new marketing discipline*. It requires a special discipline . . . in many specialized areas.

2

Business/Industrial Direct Marketing

Business/Industrial direct response marketing can be defined as:

Any advertising or sales/sales lead solicitation that is directed toward the business world; i.e. toward individuals representing companies rather than households. This definition of Business/Industrial direct marketers does not include government, charitable, or other non-profit organizations.

Business/Industrial marketing differs considerably from consumer marketing. In an effort to shed some light on this area, this chapter has been divided into five (5) sections:

A. Estimated Expenditures
B. Cost of a Sales Call
C. Business List Demographics
D. Business/Industrial Direct Marketing Applications
E. Respondent Reactions to Business/Industrial Direct Mail

A. Estimated Expenditures

It is difficult to determine [illegible] precise Business/Industrial direct marketing expenditures. One method of estimating is to analyze the historical relationship between the total of Direct Mail's Advertising Expenditures and that of Industrial Direct Marketing which amounts to about one-fifth of the total dollar volume, or 22%. For 1979 Direct Mail Advertising Expenditures are estimated at $8,876,683,000. Twenty-two percent of that total is $1.95 billion.

It is also estimated [illegible] over the years, 10% of the total Business/Industrial sales is invested in direct mail marketing advertising expenditures. Using the estimate of $1.95 billion as the base, the total industrial sales volume resulting from direct mail marketing comes to $19.53 billion. This represents an exceptionally successful advertising to income ratio estimate that is unique to Business/Industrial direct mail due in part to the nature of the high-ticket business product.

Estimated Business/Industrial Direct Response Marketing Statistics (in billions)

	1976	1977	1978	1979
Estimated advertising expenditure	$ 1.1*	$ 1.45*	$ 1.60*	$ 1.95*
Estimated sales	11.25	14.85	16.06	19.53

*Part of the Direct Mail Advertising Expenditures Figure.

1979 sales volume figures were estimated by Maxwell Sroge Company of Chicago as follows:

Industrial Direct Mail Sales Volume: 1979 ($ millions)

Specialized Markets	
General office supplies and equipment	$ 300.
Specialty office supplies (data processing, medical laboratory)	150.
Educational services	175.
Trade publication subscription sales	300.
Professional subscription products	300.
Mailing list services	120.
SUBTOTAL	$ 1,345
General business-to-business marketing through direct mail & catalogues	14,400
TOTAL	$15,745

Source: Estimates by Maxwell Sroge Co., Chicago

Specialized market volume estimates are based on Sroge Company data. General business-to-business market data are derived as follows:

The estimates shown in the table are restricted to business buying in response to direct mail or catalogue promotional activity. This does not include business buying where space advertising generates leads eventually converted through personal calling. Nor do they include volume for the following business products and services: insurance; commercial banking; computer service bureaus; equipment rental; shipping; import export services; credit reporting and employment agencies.

To calculate the $14.4 billion portion Sroge's Consulting Group started with the $1,595 billion estimate of 1979 business publication ad spending estimate from Robert Coen, Senior Vice President at McCann-Erickson. Combined with McGraw-Hill Publications estimates of the industrial advertising and promotion mix, Sroge concluded that 1979 industrial direct response ad spending—exclusive of lead generation advertising—totaled $1,436 billion.

B. Cost of a Sales Call

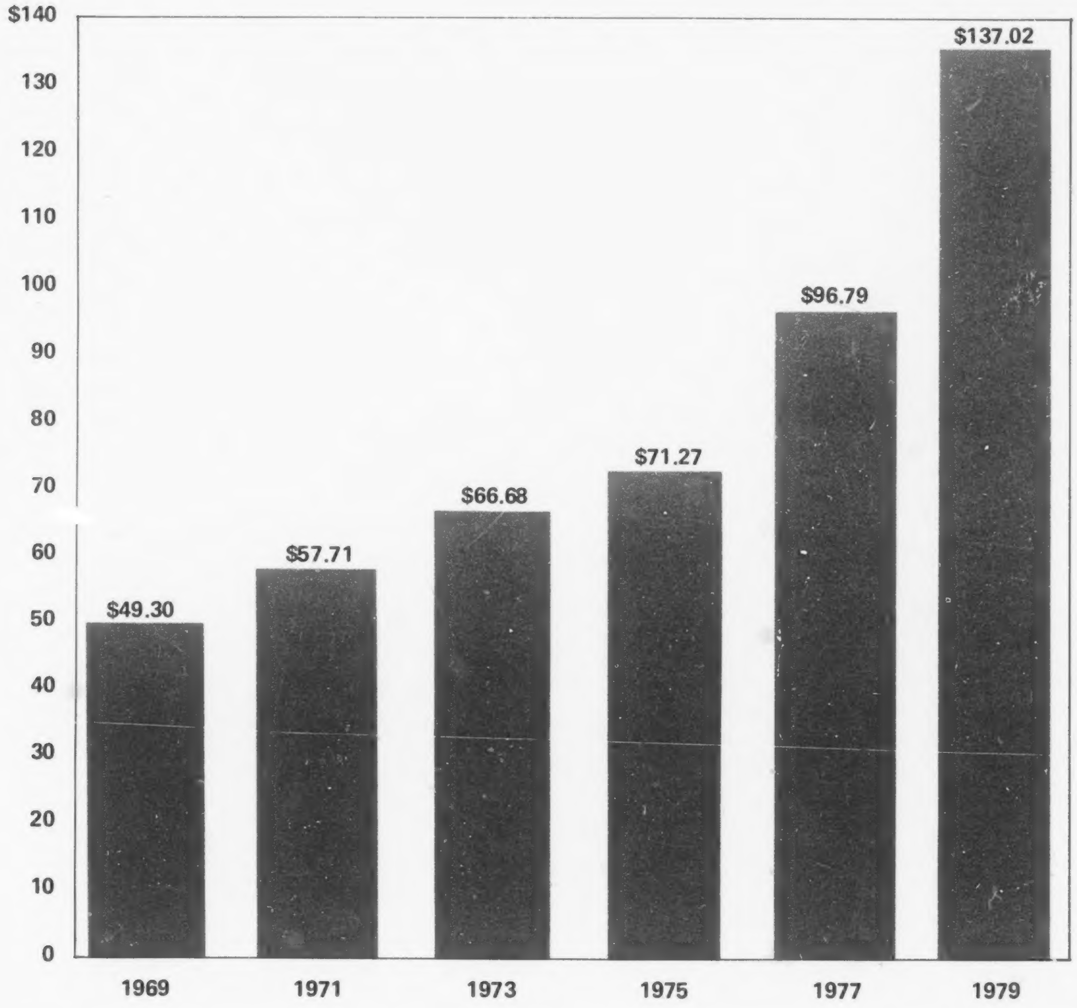
U.S. businesses use direct response marketing to:

- Develop Sales Leads
- Achieve Direct Sales
- Reinforce the Sales Effort
- Test New Products
- Develop New Markets and Applications
- Build Attendance at Trade Exhibits
- Distribute Technical Literature

It is common knowledge among businesses that the cost of the average sales call is going up. According to the latest figure from McGraw-Hill Research, the average industrial sales call rose from $96.79 in 1977 to $137.02 in 1979, the latest year for which information is available. It is important to note that this is a cost per *call*, not per *sale*.

Cost of an Industrial Sales Call Climbs to $137.02

The average cost of an industrial sales call has increased 36% within a two-year period—from $96.79 in 1977 to $137.02 in 1979



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C. Business Lists

The list used in business-to-business direct marketing is the key element to a successful sales program. Business list demographics differ considerably from consumer list demographics. Below is a comparison:

List Demographics

A Comparison of Consumer & Business Lists

Consumer	Business
Age	Year Business Started
Income	Sales Volume – Net Worth
Family Size	Number of Employees
Occupation	Line of Business (Standard Industrial Classification code)
Credit Rating	Credit Rating
Education	Company Status (i.e. Branch, Headquarter, Single Location)
Life Cycle Stage	Business Trend – Sales or Number of employees on the increase or decrease
Own or Rent Home	Private/Public
Ethnic Group	Minority/Non-Minority Owned
Sex	Sex of Key Decision Makers
Interests – (Magazine Subscriptions, Club Memberships)	Interest of Key Decision Makers – (Magazine Subscriptions, Club/Trade Association Memberships)
Direct Mail Respondent	Direct Mail Respondent

There are other demographics to consider to be sure. However, it is important to note that the selection of a business list is a more complicated process since the buyer must consider the demographics of the prospect company *as well as* the demographics of the individual who will make the purchasing decision.

D. Business/Industrial Direct Marketing Applications

The Business/Industrial Council (BIC), one of eight special interest groups of the DMMA, is geared to the study of business/industrial direct marketing. In 1979, recognizing a need for more detailed information in this area, council members launched the first study of industrial direct marketing practices *by industry group*. Conducted and donated by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, the 1979 study was of the office equipment industry. In 1980, the second annual study, also conducted by Dun's Marketing, was completed concentrating on the direct marketing practices of the printing industry.

In an effort to maintain consistency for comparative purposes, a similar questionnaire was used in 1979 and 1980, and will continue to be used for future studies. All interviews were conducted by the DMS Research Department staff via the telephone. The research universe was identified by company size and Standard Industrial Classification Code. All information was drawn from Dun's Marketing Services' data base of approximately 4.5 million establishments. Following is a brief summary of the studies conducted thus far.

Business/Industrial Council Research*

	1980 Printing Industry	1979 Office Equipment Manufacturers
Total # of respondents	1,307	500
Total using direct mail	328 (25%)	169 (34%)
Primary objective for mailings	64% to obtain new customers	60% to obtain sales leads
Primary method of generating responses	62% – business reply card (BRC)	85% BRC
Offer or incentive	70% contact by a sales rep/dealer	91% additional information
Mail to names only	39%	17%
Mail to names & titles	55%	78%
Rent outside lists occasionally or frequently	35%	50%
Set objectives	43%	48%
Rarely or *never* set objectives	56%	47%
Frequently or always test	18%	14%

*Conducted by Dun's Marketing Services, a company of The Dun & Bradstreet Corporation, Parsippany, New Jersey.

65% of the 1980 BIC respondent firms mail under 10,000 pieces yearly, 24% 10,000 to 99,000 and 9% 100,000 or more. Fifty-six percent of the same respondents find direct mail to be "critical" or "very important" to their marketing efforts. Thirteen percent claimed their companies spent seventy to eighty percent of their entire advertising budget on direct mail expenditures.

Also of interest is the fact that thirty-four percent of the 1980 respondents frequently make multiple mailings into one company, with fifty-six percent utilizing both names and titles of the various executives. Eighty-one percent of the respondents using the multiple mailing approach find it to be "very" or "somewhat effective".

Approximately 55% of the 1980 respondents use the telephone in addition to direct mail to generate leads and/or sales.

The complete extensive reports of the above studies are available to Business/Industrial Council members only. It is the objective of the Council to continue to build a library of information on direct marketing practices within various industry groups. Upcoming annual studies will cover industry groups such as industrial insurance, wholesale products and possibly machine tool manufacturers.

Other Business-To-Business Studies

During 1980, other studies on business-to-business direct marketing were conducted by the Business Professional Advertising Association (BPAA), the Business Advertising Research Council (BARC), and Industrial Marketing Magazine.

The BPAA study consisted of a survey of its national membership. It revealed that industrial marketers were very interested in receiving *more information* about direct marketing. Additional findings confirmed some of the BIC results. For instance, forty-six percent reported the use of outside lists, and ninety-six percent considered direct marketing an important selling medium.

The BPAA survey also revealed that the most frequently used formats were the printed letter, the brochure, the ad reprint, and the personalized letter (in that order). However, direct mail ran second to journal advertising.

Industrial Marketing Magazine conducted a study among their readers (with advice from the consulting group of Maxwell Sroge Company) during the summer months of 1980. Their findings are based on sixty-four usable questionnaires returned by mail. Following is a brief summary of the results.

Industrial Marketing Magazine — 1980

Total number of respondents	64
Primary objective for direct mail	37% to obtain sales leads
Mail to names only	86%
Rent outside lists	47%
Test lists	50%
Percent of Advertising Budget	35%
Forms of mail	96% brochure 70% personal letter

Other interesting findings from the study conducted by Industrial Marketing Magazine include the fact that thirty-one percent of the respondents mail six or more times per year. In addition, it was found that when sales were tracked, fifty-three percent of them resulted from a direct mail lead *with* a sales call while only twelve percent resulted from a lead *without* a sales call.

E. Respondent Reactions to Business/Industrial Direct Mail

The fourth study conducted during 1980 in the area of business-to-business direct mail was sponsored by the Business Advertising Research Council of the Advertising Research Foundation (BARC/ARF). This study focused on the *addressees*, i.e. the executives who receive promotional material. A test group of 1500 executives who received a particular mailing was compared to a control group of 500 executives who did *not* receive the mailing. The survey was conducted by phone and generated 416 responses from the test group and 164 from the control group. It was found that the test group reported a higher factor of purchase consideration—20% compared to 13% in the control group.

Recall of the mailing itself registered a factor of 14% on an unaided basis. 63% of the respondents correctly identified the company by name. In addition, 16% recalled the mailing after being prompted. That's a total recall factor of 30% from top management direct mail recipients.

Of those who recalled the mailing, 32% claimed to have read or scanned through it. This represents 8% of the total sample. Nearly half (49%) of the respondents who recalled the mailing correctly identified the form the mailing took as a letter and reply form.

Of those who recalled *reading* the mailing, 15% indicated they passed the information along. Other actions taken are indicated below.

	Recalled Reading	**Didn't Recall Reading**
Base	33	68
Discarded	46%	84%
Nothing at present	27	2
Passed along	15	9
Wrote	3	0
Filed/Held	0	4

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In addition, the respondents who claimed to have read the mailing were asked which three product attributes from a list of six were mentioned in the text. The table below shows that better than 60% correctly identified the noted attributes.

	Recall Reading Mailing
Base	33
Time Saving*	70%
Efficient*	64
Pays for Itself*	61
Space Saving	24
New Technology	24
Cleaner	21

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*Actually mentioned in mailing

The BARC is now considering doing another survey—this time aimed at a middle management group of addressees.

3

Markets

A. Demographics & Psychographics

Demography is the statistical study of human populations especially with reference to size, density, distribution and other vital statistics. A **Psychograph** is a profile and character analysis of an individual. These research techniques are widely used in general marketing—and certainly in direct response marketing.

Selecting optimum targets for a mailing has traditionally involved demographics—a raw-data profile of the typical citizen of a community (or ZIP Code) or the actual predominating class in terms of sex, age, marital status, family size, education, income, home ownership, etc. As computerized data-banking developed, the geographical unit under study was redefined to cover similar units such as census tracts and even block groups. The smaller the "unit", the more precise the demography. Now, other key characteristics such as length of residence, number and make of vehicles owned, type of dwelling, etc., have been added to the equation. This reservoir of data is flexible and can be used in a variety of marketing situations.

Shaping A New Society

However, demographic data, while very useful, is quantified and other research techniques must be explored to make the statistician's silhouettes more colorful and three-dimensional. In the last 10 years or more, societal trends and values have shaped a new society.

In this age of diversity, changing lifestyles and "doing your own thing", a fairly new technique called *Psychographics* has developed. Psychographics suggests that people should be segmented into their preferences, thus adding a new dimension to marketing concepts. The situation is this: *where* people live, and even how much money they may have, does not matter as much as *how* they live. Attitudes and preferences dictate what the consumer will spend and for *what*. People buy according to how they live which is not necessarily according to what they can afford.

Assembling this psychographic data requires that customers be source-identified not as "space", but by the type of publication; not as "radio", but by the programming environment of the broadcast commercial; not as "direct mail List #1", but by the category of the list used. Further, the kind of items which have been purchased reveal a customer's lifestyle and taste. Psychographics operates on the premise that the customer, or prospect, must be categorized, not only demographically, but by tastes, wants, desires and observable purchasing behavior.

For example, status symbols (big cars, fur coats, etc.) which in the past were signals of financial achievement, are at low levels in today's status symbol hierarchy. Intangibles such as travel, entertainment, participating in sports appear to be increasingly more important. This suggests a different allocation of discretionary income, more towards experiences rather than material things.

Changes In Behavior and Attitudes

Some random behavioral and attitudinal shifts compiled from a variety of sources show a *new* American Society—a revolution that embodies social, cultural and moral transformation.

> **Single means one.** In the aggregate, the growing number of single men and women in the United States adds up to 40 million adults with $200-billion buying power. The number of adults living alone has risen more than 40% over the last six years, seven times faster than the number of married couples setting up new households. By 1980, the number of single adults is expected to grow to 45 million.
>
> **Single means two.** The number of unwed couples living together has risen more than 50% since 1970, while the total number of U.S. households gained only 15%. Although the spending power of this new market isn't precisely known, it is significant; if nothing else, it is young. More than 57% of these unwed households are headed by someone under 35 years old while only 29% of all U.S. households have a head that young.

Many companies are switching advertising and marketing strategies to appeal to this new market. Advertisments, for instance, omit the use of such terms as spouse, wife or husband. Even illustrations avoid showing couples wearing wedding bands or surrounded by children.

> **Couple means more than two.** The stagnant birth rate is expected to climb within a few years. Many women who delayed parenthood while they finished school, established careers, solidified marriages and bought houses, feel their time is running out. The first of the postwar "Baby Boom" women now face the end of their most productive child-bearing years. There were about 64-million baby-boom children born between 1946 and 1961. If they intend to have the 2.1 children they claim to want in Census Bureau surveys, they will have to begin soon.

A recent Yankelovich poll reported that the values of the 1960s counter-culture seems to be reshaping the nature of the American family and its child-rearing practices. The new breed of parent (43% of the 1,230 households sampled) stresses freedom over authority, self-fulfillment over material success and duty to self over duty to others including their own children. Says Yankelovich: "It's not the permissiveness of the 50s but the attitude of 'I want to be free, so why shouldn't my children be free'."

Serious Business of Leisure

The "Graying of America" does not necessarily mean inactivity and boredom. Senior citizens by the millions are hopping on the travel bandwagon. They are taking to the road on day trips, bus tours and European charters. The retirement market is pegged at more than $200-billion annually, according to the National Retirement Council. It is also the largest emerging pool of purchasing power ever to impact on the U.S. economy. The 50-and-over age group makes up 27% of the population and, by the year 2002, more than 30% will be in that age group.

U.S. tourism is seen as a major industry by the year 2000. Herman Kahn, in his recent book, *The Next 200 Years*, predicts that by the year 2000 "Tourism will be one of the largest industries in the world, if not the largest" and "should continue its current tendency to increase by 10 to 20 percent a year, " until that time.

The Census Bureau reports a definite trend toward a population move to smaller cities and towns. This, of course, is part of the move toward the sunbelt where small communities abound.

Traditional husband/wife rolls will change dramatically. And banks are beginning to bend over backwards to give mortgages to women, which was unheard of years ago. One bank has initiated a "Ms. Mortgage" program.

The Back-To-Nature trend is gaining momentum as more campers hit the trails. The National Park Service estimates there were more than 58-million outdoor campers in the United States last year, up from a scant 17-million visitors 10 years ago. In 1978, the Park Service reported that 60-million Americans had answered the call of the wild. Overnight, recreation vehicles have become commonplace on the nation's highways.

The fact that people have more leisure time than ever before may make relaxation America's most serious business. It is estimated that in 1979 $160-billion will be spent on recreational products and activities. This translates to about 8% of the gross national product. The money was spent on all types of leisure pursuits ranging from admissions to movies and sporting events to records, sporting goods and vacation homes.

Concerns about one's physical well being will influence the future design of new dwelling units with built-in gyms while garages may store bicycles, mopeds and motor bikes instead of big cars.

B. Significant Demographic Trends

Numbers of people and households for the recent past and near future are shown in Figure 1. The trend toward small households is expected to continue. Therefore, the number of households is now growing at 2.2% each year despite less than one per cent growth in total population.

The trend of total population masks a substantial change among age groups which is already underway. Between 1975 and 1980, the number of children under 18 years will actually decline by approximately three million. Meanwhile, the over-65 group will increase by two million.

The labor force, illustrated in Figure 2, is another key indicator. It is growing at a 2% yearly rate but will be tapering off somewhat over the next few years. For many marketers the significant item is the increasing participation of women in the labor market who make up almost 40% of the work force.

Direct response is generally concentrated in the better educated segments. In Figure 3, we see the growth of college educated adults—an increase of 20 million in just 15 years. While the growth rate appears to be somewhat lower than that between 1970-1975, the rate is expected to pick up again after 1980.

Source: Based on raw data and projections published in *Statistical Abstract of the United States*, U.S. Bureau of the Census.

Figure 1. Population and Households

(in millions)

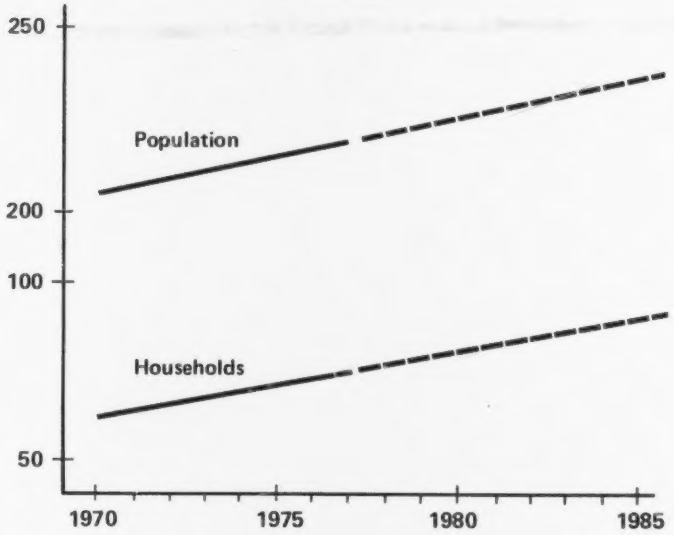


Figure 2. Labor Force

(in millions)

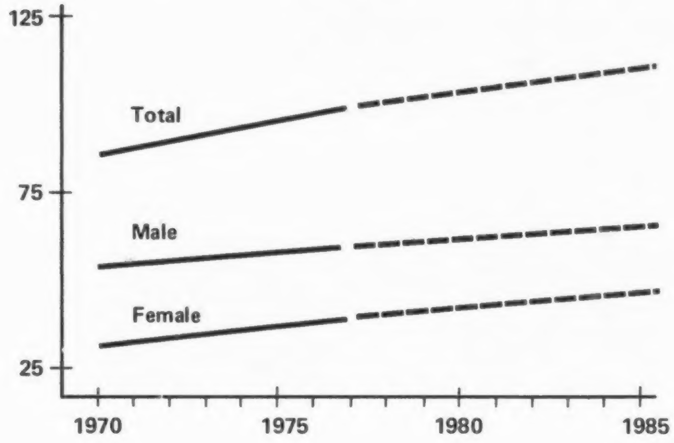
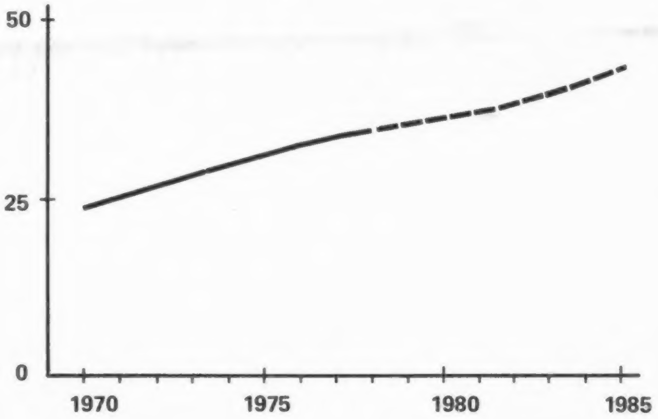


Figure 3. College Educated Adults

(in millions)

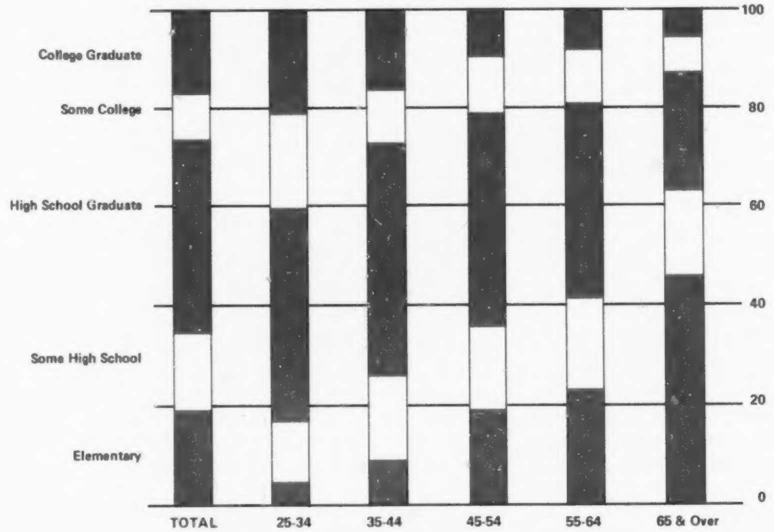


C. Statistics on Population, Families and Income Distribution

The charts and graphs appearing on the following pages (21-30) are reprinted by permission of THE CONFERENCE BOARD.

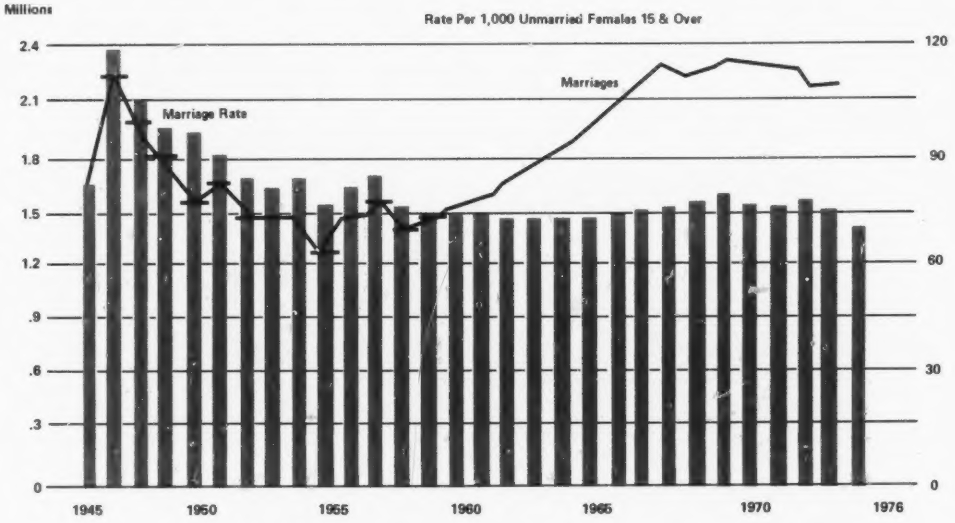
Education by Age

Percent distribution of persons 25 and over, 1980



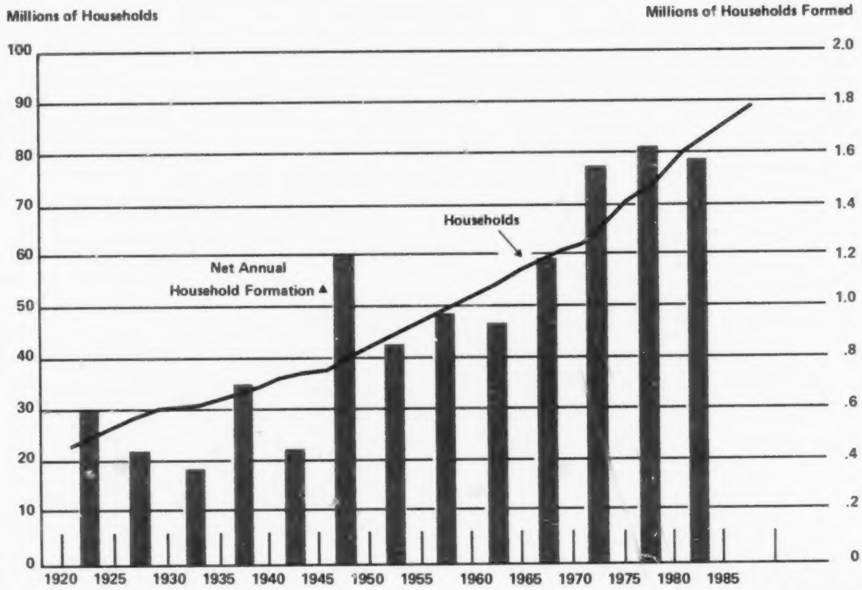
Younger people have generally received more education than older people, but the disparity is not as great as it once was.

Marriages and Marriage Rates



The marriage rate is at its lowest in decades and the number of marriages has been relatively steady since 1965.

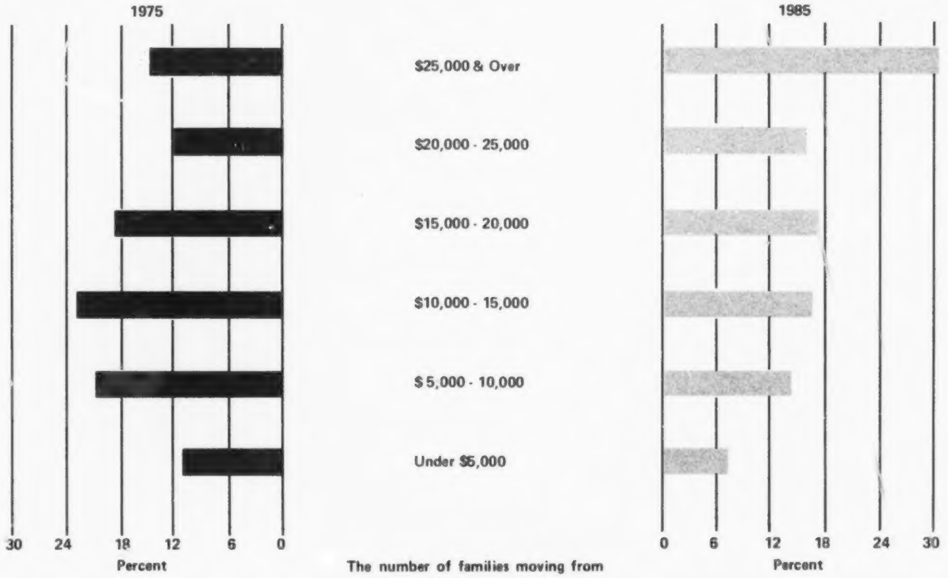
Households and Household Formation



▲ Annual Average Based on Five-Year Period

While the rapid increase in household formation should stabilize in the 1980s, total households will continue to grow at 1.5 million annually.

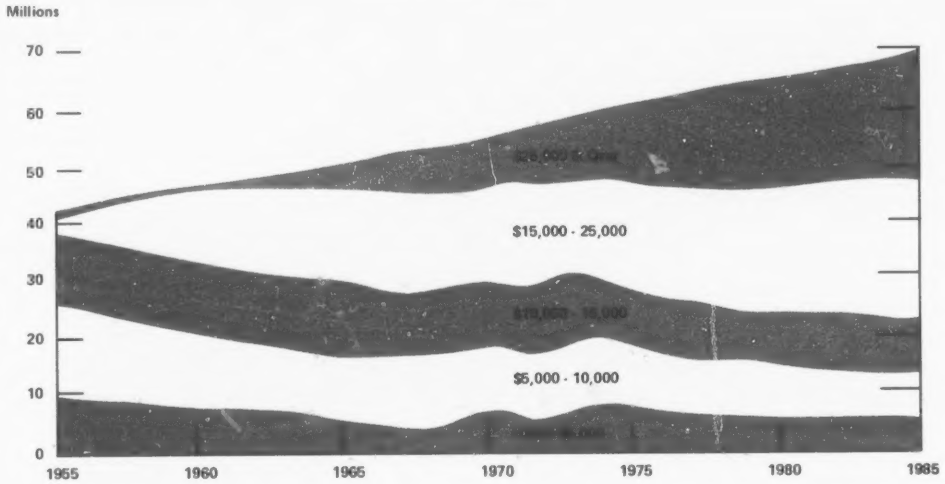
Families



The number of families moving from middle to higher incomes is increasing faster than the number of families moving from low to middle incomes.

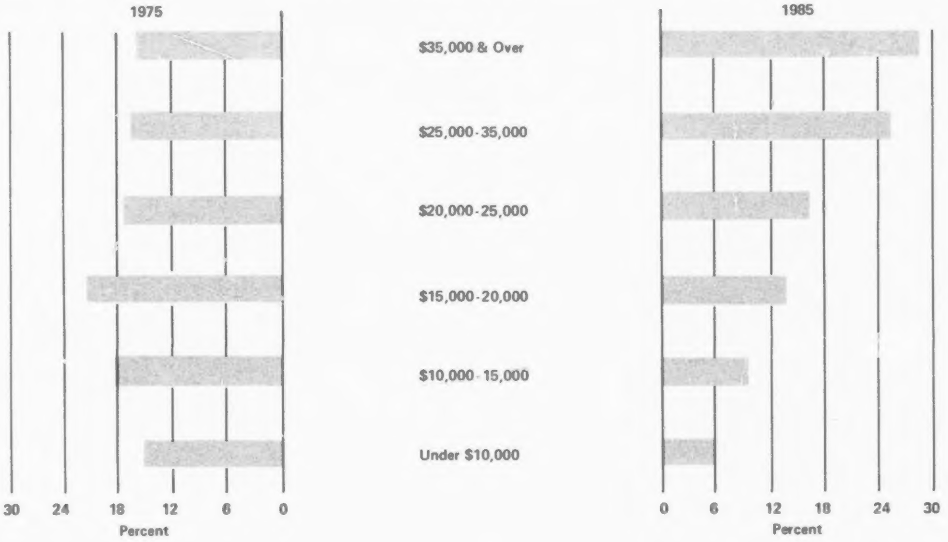
Families by Income Class

Based on 1975 dollars

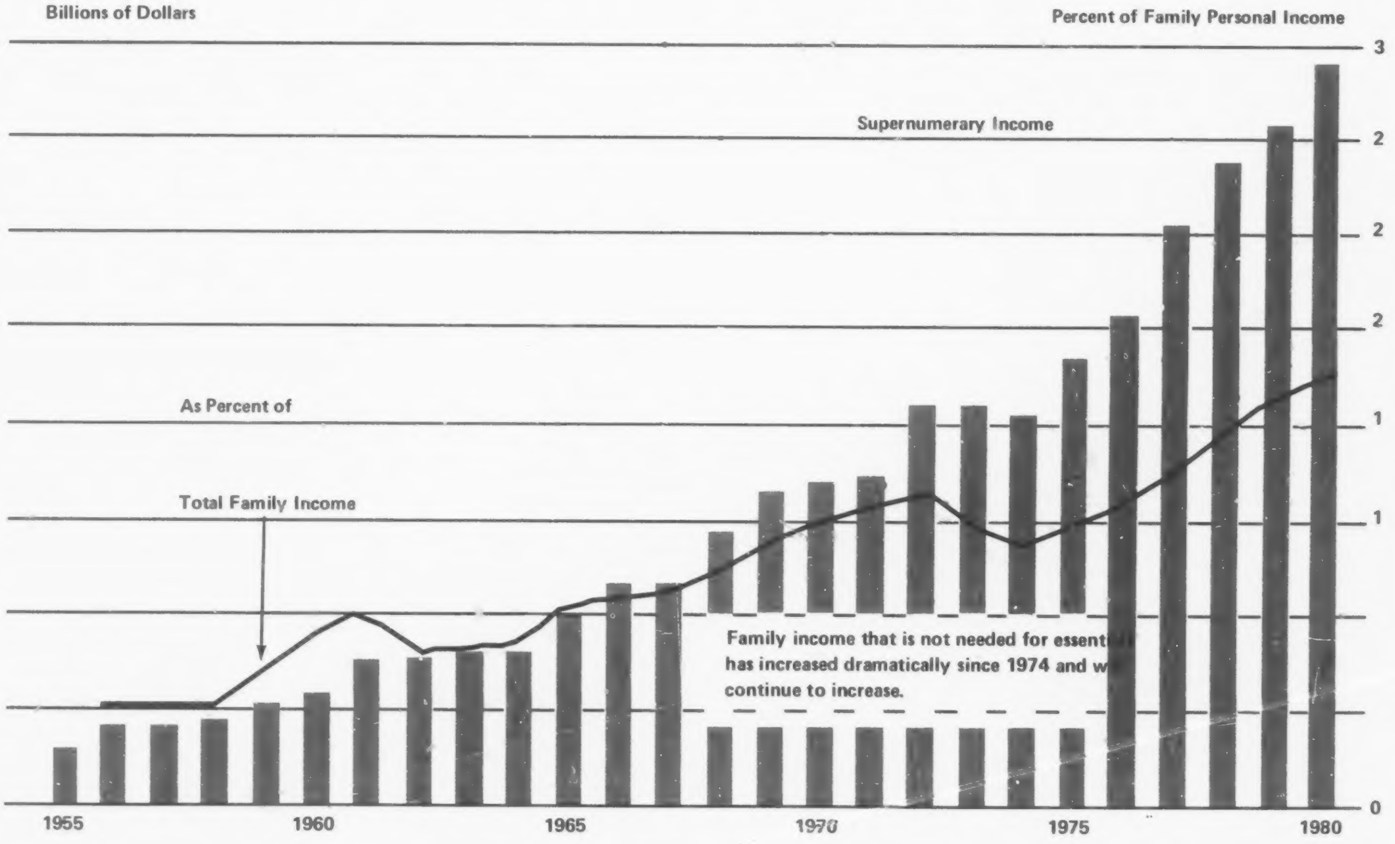


Income

Percent distribution of family income based on 1975 dollars

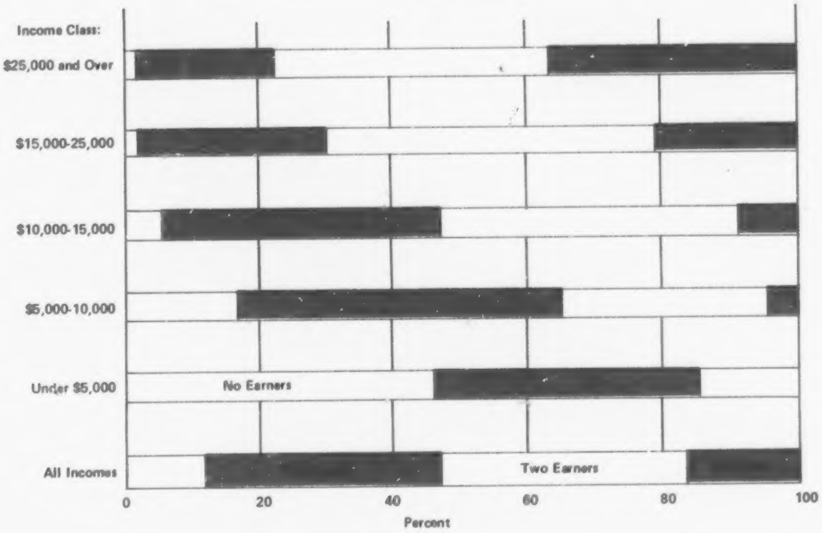


After-Tax Family Incomes



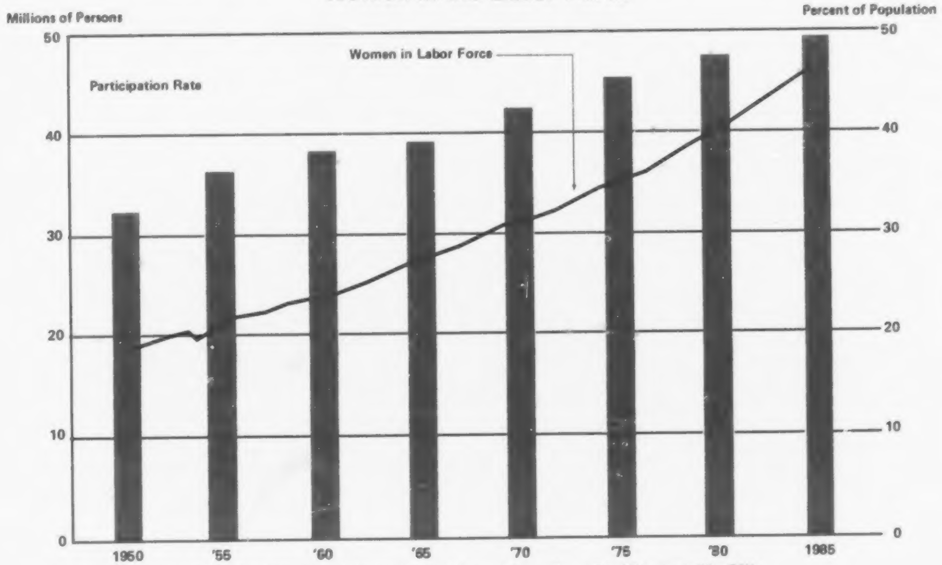
Multiearner Families

Total, each income class, 1974=100%



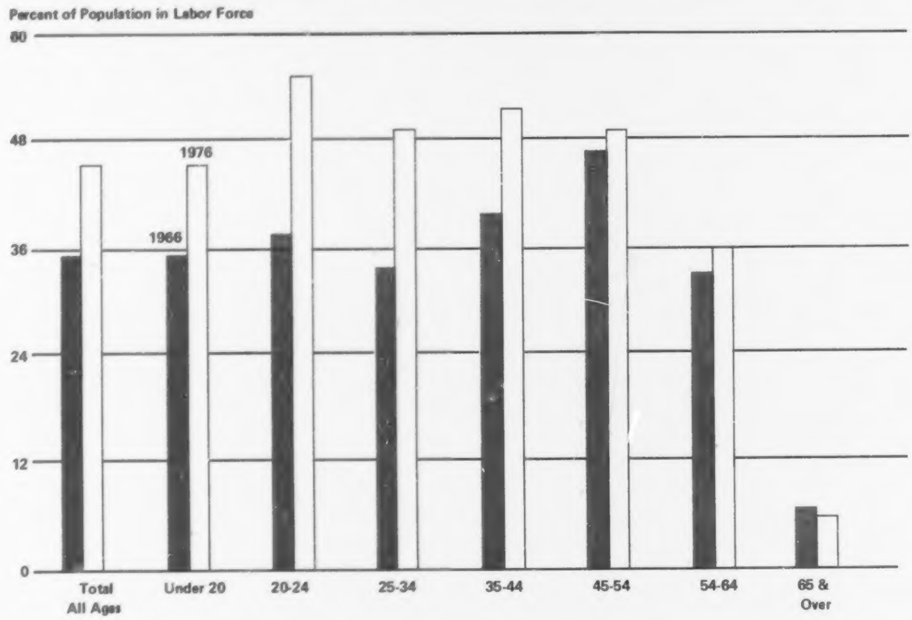
Multiple earners are primarily responsible for family incomes over $15,000 annually.

Women in the Labor Force



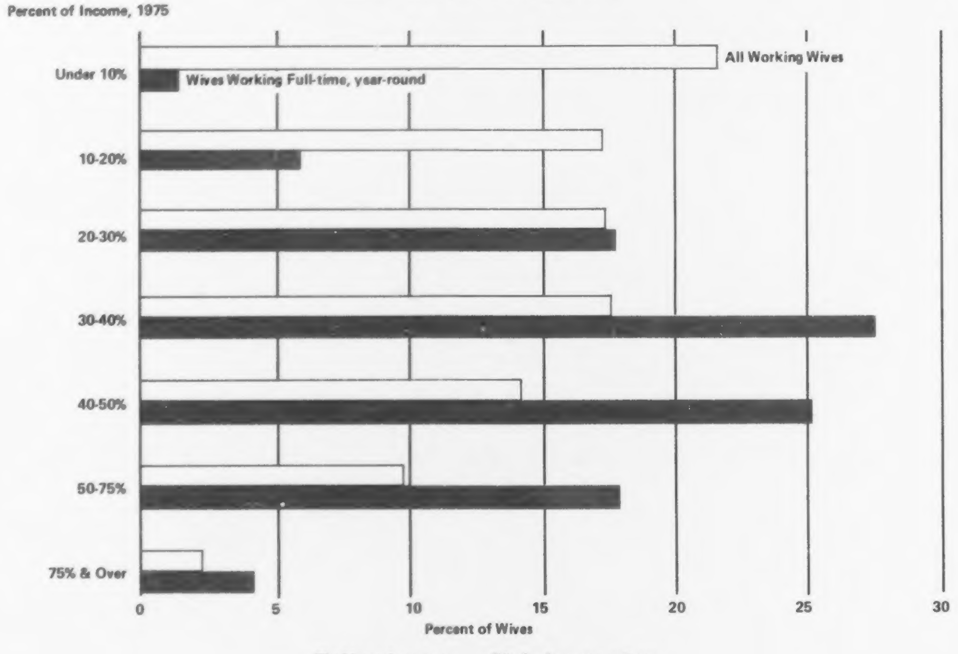
The share of women working outside of the home is increasing and rapidly approaching 50%.

The Proportion of Married Women Working by Age



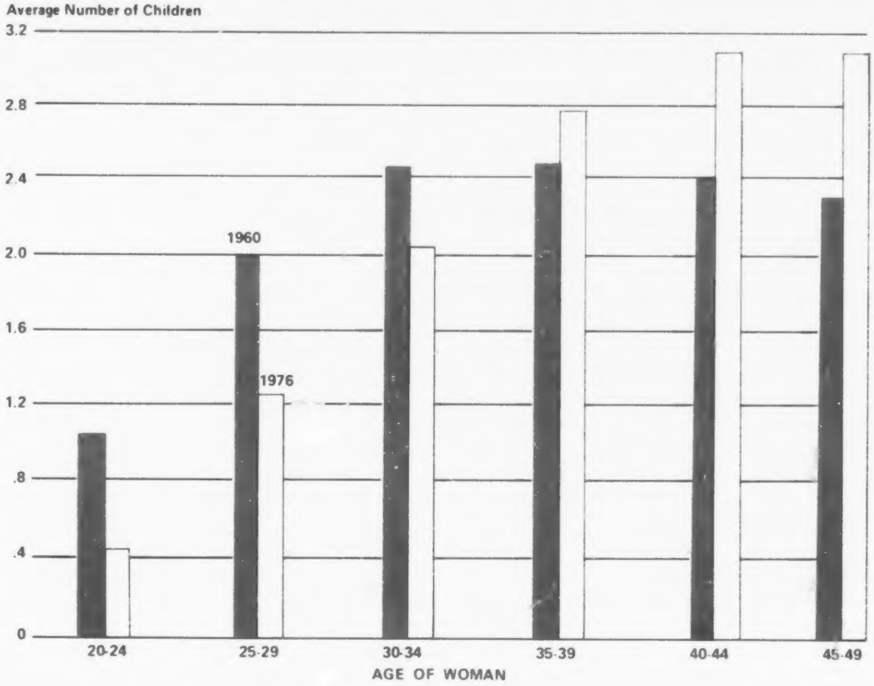
While more women of almost all ages are working, the greatest increases are for women 20-44.

Income of Working Wives



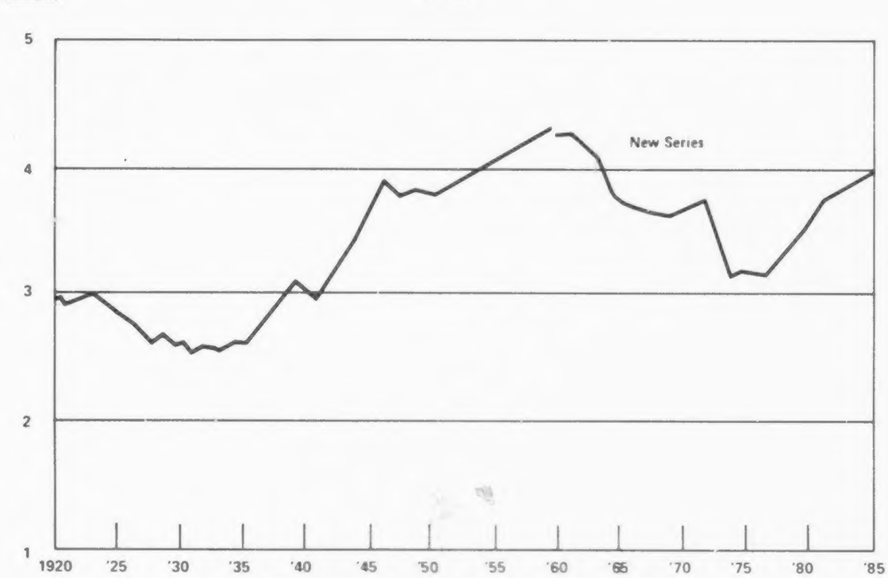
Working wives are responsible for large percentages of the family's income, with at least 50% of them contributing over 30% of the family's income.

Average Births By Female Age Groups



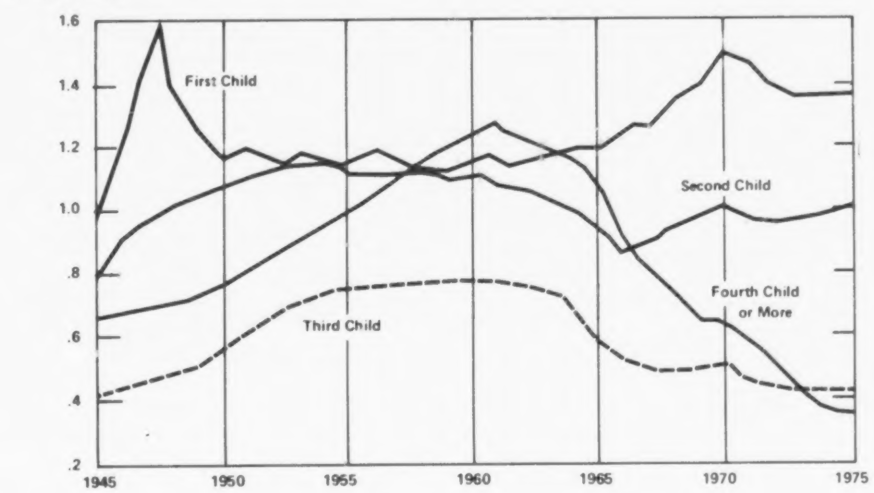
Women are postponing their families—having their children at a later age.

Births



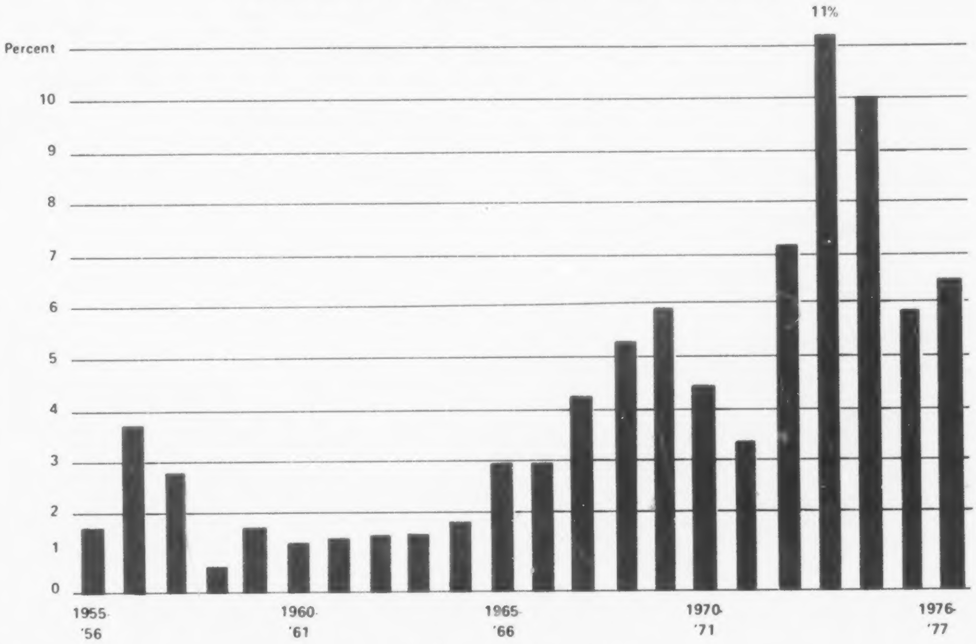
Until 1959, adjusted to HEW assumption of under-registration. In 1959, and succeeding years, not adjusted, registered births only.

Birth Order



High order births (three or more children are declining), but first and second order births are more stable.

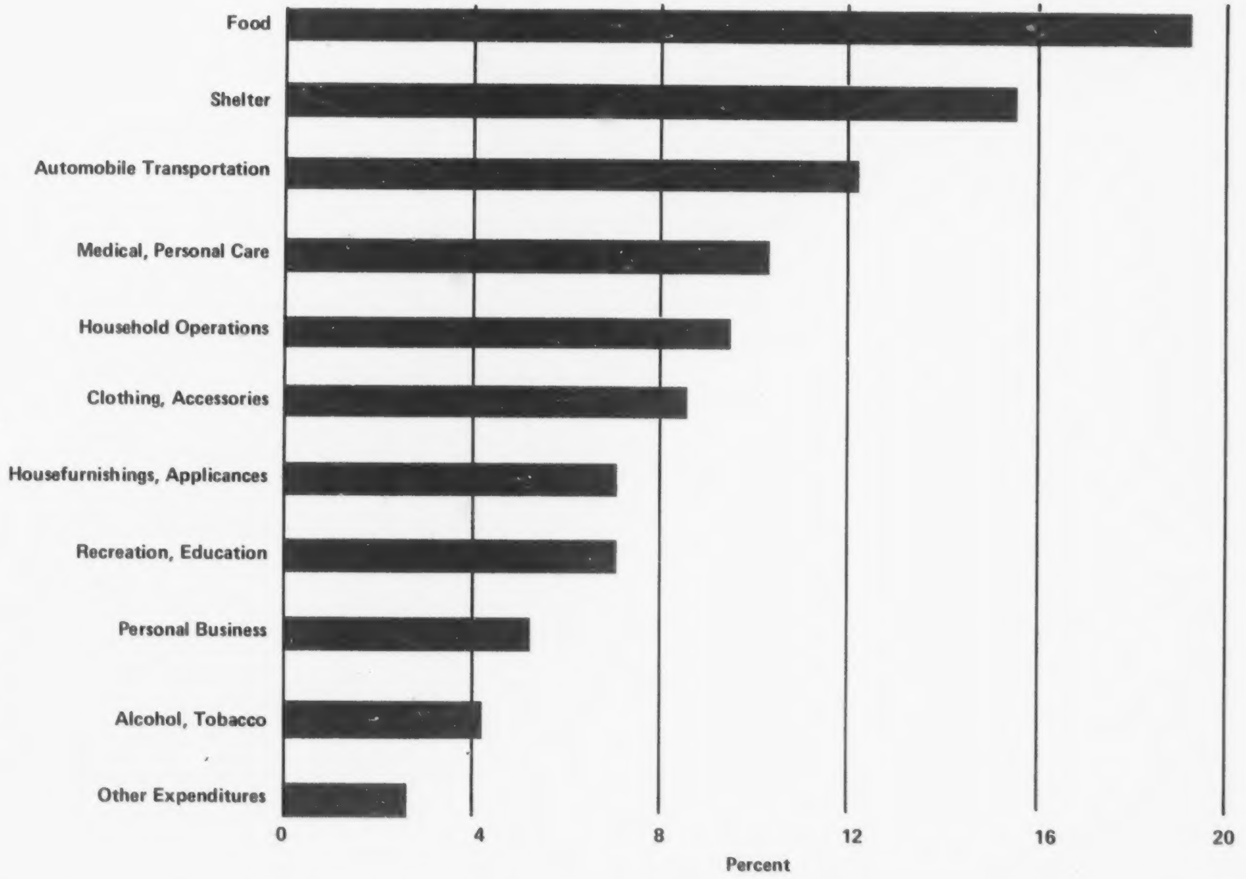
Rate of Inflation
Annual Percent Change in Consumer Price Index



Since 1970, inflation has averaged 6.8%

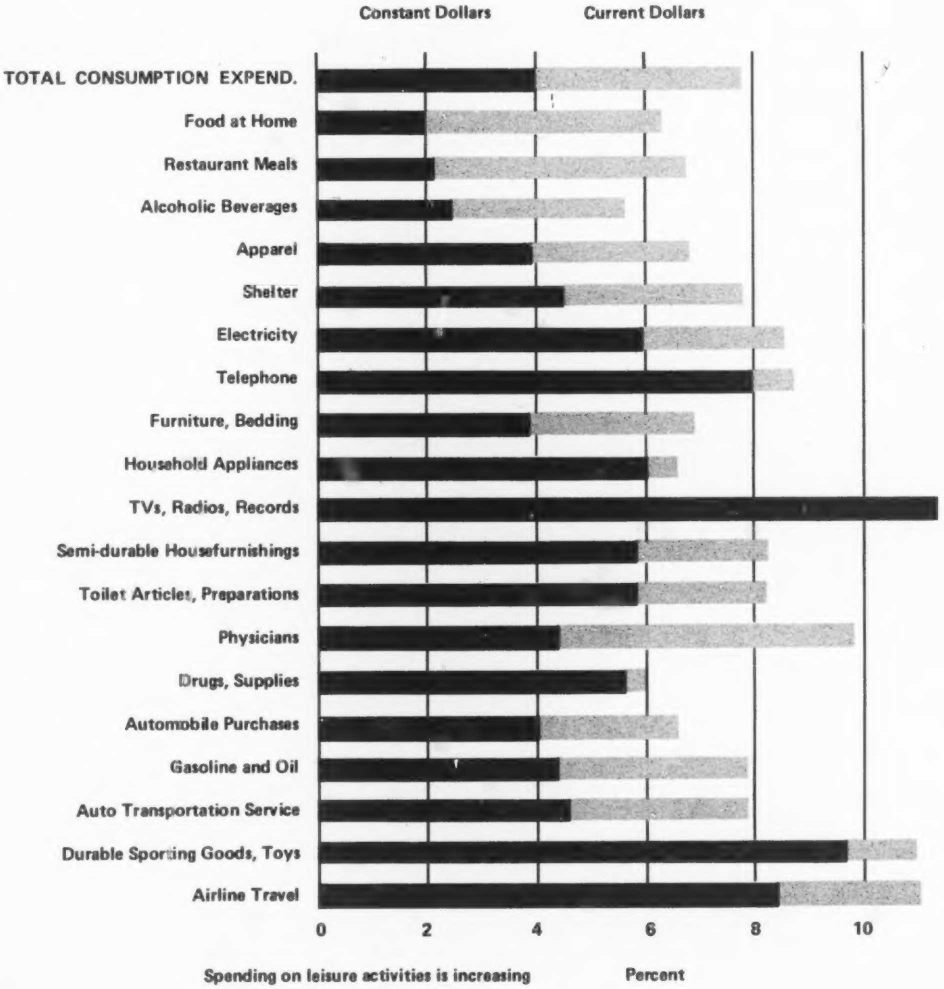
Distribution of Consumer Expenditures

Total Expenditures, 1975=100%



Growth Patterns in Consumer Spending

Average annual growth rates, 1960-1975



Spending on leisure activities is increasing faster than other spending categories.

D. The Role Of Research

The controlled experiment, or *sales test*, is a research technique which has played a central role in the development of modern direct marketing. This tool enables the direct marketer to limit risks, plan with relative precision and pyramid the winners for maximum profitability. Happily, scientific testing also protects the consumer by keeping the marketing process efficient. Our customers need, therefore, only pay for capital used, not capital wasted.

Sales testing, in fact, is so much a part of continuing operations that sometimes it is not even thought of as "research". Some applications include evaluating lists, packages, offers, prices, products and timing.

While sophisticated direct marketers appreciate the power of the classic sales test, they have also come to recognize its limitations. It is a random and ineffective technique for developing insights or understanding of the marketplace. It lacks diagnostic power.

Consequently, the research techniques and skills of other marketers are borrowed or adapted to the special needs of direct marketing. Terms such as benefit analysis, lifestyles, image, segmentation, scaling, focus groups, regression, model building, etc., are entering the vocabulary.

To estimate market potential, for example, the analyst would need a comprehensive description of users versus non-users of your product and possibly a competitive profile. Such data could only come from survey research. There is generally more to the market potential question than meets the eye. A valid solution is apt to require a combination of techniques.

One interesting hybrid of sales testing and survey research has been explored by several firms as a new product screening device. Product concepts are presented and rated on some preference scale in lieu of hard orders. Presumably the stronger products will be revealed and tested by the preferred technique at a later time.

Other combination techniques are bound to arise. Innovative research tools are welcome and needed. The wise direct marketer will experiment with the more promising techniques, subject each to rigorous validation testing and explore its limits of application. Then, those which are useful can be adopted.

E. Consumer Attitudes

Why They Like Shopping By Mail

Jim Kobs in his new book, *Profitable Direct Marketing,* from which the two following segments are excerpted, says: "The amount of research that's been done on why consumers buy by mail is relatively limited, and those studies that have been done are often difficult to compare because questions are not standardized. Despite these limitations, let's look at two research studies that bring out some interesting comparisons.

"The first was done by *Better Homes and Gardens,* to measure reader attitudes and buying habits from its mail order shopping section. Readers were asked: 'Why do you purchase items by mail?' The responses came out as follows:

Can't find items elsewhere	33%
Convenience	27%
Fun	7%
Price	5%
Better Quality	1%
Other	1%
Don't purchase items through the mail	32%

NOTE: Totals more than 100 due to rounding.

"The second study was done by a leading direct marketing catalog house, and was limited to its own customer list. One question asked: 'Why do you buy from (firm name)?' Here's how the answers came out:

Convenience	49%
Items not found elsewhere	37%
Variety	16%
Price	14%
Service	12%
Desirability for gifts or personal use	11%
Quality	10%
Other (free gifts, utility of items, etc.)	10%

NOTE: Totals more than 100 because of multiple answers.

"While there are some obvious differences in the figures, the similarities are worth noting. Both studies put convenience and 'can't find elsewhere' at the top of the list. While the latter points out the importance of offering items that are not readily available at retail, I suspect that many of the items consumers had in mind *were* available at retail . . . but the consumer was not aware of them and it took a direct marketing ad or catalog to bring them to her/his attention.

"Also, in both studies price and quality were rated much lower. It should be mentioned, however, that the merchandise most commonly found in this magazine's shopping section and this particular catalog tends to be low-priced. Direct marketers offering more expensive or upscale merchandise might find these factors are more important with their customers.

The Convenience Of Armchair Shopping

"What about that convenience which consumers cite? If you really think about it, it actually covers two broad areas. First, avoiding some of the problems and frustrations of retail shopping. Second, the particular benefits that are common to direct marketing . . . like free trials and delivery right to the home.

"John L. Blair, President of New Process Company, feels that this convenience has played an important role in the growth of his mail order clothing firm. He has commented to stockholders: 'In the opinion of many knowledgeable retailers, the newest, and perhaps the most exciting, era of mail order selling is just dawning. Ever-higher gas prices, the never-ending problem of finding a parking space, the incomplete stocks, the indifferent clerks—these reasons and many more like them are causing increasing numbers of people to forsake lengthy and time consuming shopping excursions. Instead, they seem to prefer the convenience of shopping by mail, at their leisure, in the comfort of their living room.'

"Balanced against these direct marketing advantages, the major drawback for many consumers has always been the inability to 'touch and feel' an item before ordering. But Martin Baier, Vice President of Marketing for Old American Insurance Company, is among those who feel that even this negative factor is slowly becoming less important. Baier reasons that today's consumer is a more self-reliant purchaser. He or she has been made so out of necessity—by the trend to discount stores and the decline of personal selling. And it's this growing self-reliance, he feels, that makes a consumer more likely to shop on his own from a catalog, ad or mailing."

Receptivity To Direct Mail

The most recent national study of consumer attitudes to direct mail was undertaken by the U.S. Postal Service in 1974 following its 1972 national study. We are including the USPS findings about consumers' attitudes to direct mail because: (1) The majority of consumers only recognize direct mail as direct response advertising. The advertisements carried via the other media are generally classed as "TV advertising" or "newspaper advertising"; (2) Direct mail is the third largest advertising medium, thus consumer attitudes toward it are of vital importance to advertisers. (The two largest among the media are newspapers and TV.); (3) The majority of surveys concerned with consumer attitudes toward advertising are concentrated on attitudes relative to the broadcast and space media.

How Much Mail And Why?

Direct response marketers have known for years that their prime advertising targets are their company's own customers. That they still concentrate on their customers is borne out by the USPS Study, "The Household Mailstream," mentioned earlier. It is estimated that 80% of all direct mail is sent to present customers, donors, or members; the remaining 20% is sent to prospects.

Analysis of the mail received and classified by the households participating in the study showed that 47% of third class mail received was from "a company at least occasionally having done business with."

Again, according to USPS' 1974 Study, the average number of advertising and promotional material received *per week* per household was *2.6 pieces; down from 3 pieces per week* per household in 1972. That is less than one piece per day.

This amount can hardly be called a "glut" as some writers have termed it.

The **reasons** for an individual's receiving the average or above average number of direct mail pieces are:

- Responsiveness to direct mail
- Membership in various organizations
- Community activities
- Avocational interests and specific lifestyles
- Higher income and educational attainments

The Privacy Protection Study Commission's "Report on Mailing Lists," July 1977 states:

> "One of the easiest ways for an individual to get his name on a lot of mailing lists to to respond to a direct mail solicitation. There are other ways, such as being named in a public record, or mailing back the subscription form inserted in a magazine purchased at a newsstand, *but responding to a solicitation received through the mail is the surest.* That is something the people who complain about getting mountains of 'junk mail' often do not understand. Chances are that the individual who is most inundated with unsolicited mail responds to some of it; if he did not, his name would not be in the customer, member, and donor files from which so many mailing lists derive."

Household Mail Attitude Surveys

From time to time, the USPS has conducted surveys of the type of mail received by the average household. The following observations are taken from their results. Tables are reprinted by permission of the Institute for Social Research, which executed the last study and compiled the data.

1. Total Mail Received

The average household receives nearly fifteen pieces of mail per week, including over three pieces of third class commercial mail and slightly over one piece of third class non-profit mail per week. This is significantly less than the weekly volume of first class at nearly eight pieces per week.

The variation in third class regular bulk mail received is not great, with only about 20% claiming to receive under one piece per week and less than 15% claiming to average over 6.

The table following shows this data in detail.

Mail Received by Households
Total Volume by Selected Class[a]

(Distribution of Households by Volume of Mail Within Selected Classes)

Mail Class	Number of Pieces Received by Household: 0	1-3	4-6	7-9	10-12	13-15	16-20	21 or more	Total	Number of Households	Mean[a]
Total, All Classes	1.9%	8.9	12.3	14.7	14.0	11.8	14.2	22.2	100.0%	5366	14.72
First class	3.8%	22.8	27.0	20.0	11.0	6.5	4.8	4.2	100.0%	5366	7.60
Second Class	33.9%	45.4	12.9	4.9	1.5	0.8	0.4	0.1	100.0%	5366	2.18
Third class, regular bulk rates	21.2%	42.2	22.4	8.4	3.7	1.0	0.7	0.3	100.0%	5366	3.32
Third class, nonprofit rates	52.3%	39.0	6.4	1.5	0.5	0.2	0.1	0.1	100.0%	5366	1.17
Fourth class	88.6%	11.2	0.1	0.0	0.0	0.0	0.0	0.0	100.0%	5366	0.15

[a] Only major domestic classes and subclasses are presented. An additional .30 pieces of mail is included in the total mean for the other domestic classes, special and experimental services and foreign mail.

Receipt of mail of all types is relatively even on a daily basis (at about 2.5 total pieces per day), with the only exceptions being that bills are more likely to arrive in the first week of the month and that somewhat more mail is received on Wednesdays, Thursdays and Fridays than on the other 3 days. This last skew holds for all types and classes of mail. Volumes are shown in the chart below.

Mail Received by Households
By Day of Week

(Distribution of Items by Selected Contents for Each Day)

Selected Contents	Total	Day of Week Received: Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Projected number of mail pieces (000,000)	56,760	7,410	9,440	10,140	10,220	10,230	9,330
Standard error (000,000)	998	183	189	194	197	175	225
	100%	3%	17%	18%	18%	18%	16%

2. Mail by Delivery and Postage Types

The only significant volumes of items delivered by non-USPS carriers were newspapers (46% delivered by non-USPS), plastic bags of advertisements (3%) and other advertisements (2%). Those figures do not include packages or other large deliveries. For deliveries of that sort, a significant proportion of people said that they preferred private deliveries because of speed and lower danger of breakage. This must be balanced against a clearly noted greater familiarity with the USPS.

The table following shows distributions of the type of mailing indicia used, identity of sender and places where delivery was taken.

Domestic Mail Received by Households
Type of Indicia vs. Sender

Type of Indicia	Total	Sender as Reported by Respondent							
					Government				
		Household	Business	Nonprofit organization	Fed.	State	Local	Other	Sender not ascertained**
Projected number of mail pieces (000,000)	56,320	7,320	35,180	8,460	2,251	990	937	1,182	
Standard error (000,000)	980	183	620	198	84	49	48	53	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Permit	38.4	1.2	43.2	62.1	7.9	36.2	34.6	49.4	36.2
Meter	32.6	6.0	42.6	21.5	6.0	40.3	44.4	27.2	37.1
Postage stamp	22.0	90.8	11.2	11.6	2.1	4.9	13.3	17.2	24.2
Prestamped card/envelope	2.2	1.5	2.3	3.3	0.5	1.2	5.5	1.6	2.2
Penalty mail	3.7	0.3	0.5	0.9	70.7	10.5	1.7	2.4	0.0
Frank mail	0.6	0.0	0.0	0.2	11.5	2.8	0.3	1.9	0.0
Other	0.4	0.2	0.3	0.4	1.3	4.0	0.2	0.3	0.4
Number of mail pieces sampled	62249	6885	30594	7097	2083	885	871	1061	12773
Number not ascertained	13517	183	3366	1074	90	71	34	80	8620

**To project the best estimates of mail volumes, projections are based only on items with information ascertained.

Mail Received by Households
(Distribution of Items by Type of Delivery)

Class and Sender	Projected number of mail pieces (000,000)	Standard error (000,000)	Total	Type of Delivery						Sample number of mail pieces	Number not ascert'd
				Directly to door	To box at curb	To building (but not to door)	To cluster of boxes	To post office box	Other		
Distribution of households	[74,155 mil.]		100.0%	41.7	29.7	12.8	4.6	8.5	2.0	[5145	221]
Total Mail Pieces	56,760	988	100.0%	42.0	35.3	7.8	4.2	8.7	2.0	78505	2838

These percentages do not vary greatly by type of mail.

3. Response Vehicles

The charts below show proportions of third class mail and bills using various types of response vehicles or advertising inserts.

Third Class Mail Received by Households
Selected Contents by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Envelope Within Content Categories)[a]

Content	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope				Return card	Sampled number of mail pieces
				Business reply	Postage paid	Postage needed	Type unknown		
Catalog	2,271	85*	64.6%	6.4	2.1	24.8	0.6	1.9	2394
Ad with order form	1,372	59*	19.0%	38.6	5.9	26.2	0.8	10.8	1446
Ad without order form	7,480	188*	68.5%	11.9	2.2	9.3	0.3	8.6	7889
Request for money with order form	328	24*	17.0%	33.0	8.7	33.8	0.6	9.1	346
Request for money without order form	1,044	50*	21.9%	25.0	8.9	43.8	0.7	2.5	1100
No catalog, ad, request or order form	5,450	152*	80.6%	5.7	1.8	9.3	0.4	2.4	5749

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

Mail Received by Households
Bills With/Without Ads by *Type of Return Envelope* Enclosed

(Proportion of Items by Type of Return Envelope Enclosed Within Categories of Bills With/Without Ads)[a]

Content	Projected number of mail pieces (000,000)	Standard error (000,000)	No return envelope or card	Type of Envelope				Return card	Sampled number of mail pieces
				Business reply	Postage paid	Postage needed	Type unknown		
No bill or ad	29,680	529*	86.3%	3.9	1.6	6.8	0.3	1.4	25913
Bill without ad	9,070	207*	43.6%	2.2	1.8	51.4	0.6	0.8	7921
Bill with ad	1,674	68*	10.2%	3.7	2.4	81.7	0.6	2.4	1461
Ad without bill	16,330	312*	60.6%	14.4	2.9	15.2	0.4	7.1	14252

[a] Rows may add to more than 100.0% because mail pieces were reported to contain more than one type of return envelope or an envelope plus a card.

*These standard errors are estimated using approximate coefficients of variation of mean numbers of incoming mail pieces.

4. Third Class Mail

The tables below show types of third class mail received and their disposition.

Third Class Mail Received: Description

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
A piece in an envelope	36%	38%
A piece not in an envelope	36	35
A catalog	16	14
Coupons	4	3
A post card	3	3
A small package	3	3
Can't classify	–	1
No answer	2	3
Total	100	100

Third Class Mail Received: Address Type

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Was this Item–		
Addressed to a specific member of the household	69%	67%
Addressed to "occupant" or "postal patron" or other general address	26	29
No answer	5	4
Total	100	100

Third Class Mail Received: Kind of Sender

	% of Total Pieces	
	1974 N=5,597[1]	1972 N=6,740[1]
Sent from–		
A company at least occasionally done business with	47%	47%
A company known, business not done with	17	17
A company neither known nor done business with	13	17
A nonprofit organization	17	14
The government	–	–
No answer	6	5
Total	100	100

[1] N=households participating in the studies.

4. Third Class Mail (Continued)

Third Class Mail Received: Reading of Item[1]

	% of Total Pieces	
	1974[2] N=5,597	1972[2] N=6,740
Item was–		
Opened and read by a member of the household	65%	63%
Opened but not read by a member of the household	7	8
Discarded without being opened	9	10
Set aside for reading later	13	14
Don't know/no answer	6	5
Total	100	100

Third Class Mail Received: Reception

	% of Total Pieces	
	1974 N=5,597	1972 N=6,740
Item described as–		
The kind of useful information that I like to receive	43%	42%
Interesting or enjoyable, but not especially useful to me	23	22
Neither interesting, enjoyable, nor useful	20	21
Objectionable	4	4
Don't know/no answer	10	11
Total	100	100

[1] Taken from "The Household Mailstream" for the years 1972 and 1974.

[2] "N" represents number of households keeping mail diaries for the Study.

5. First Class Mail

The following table shows the disposition of first class mail by type.

First Class Mail Received: Type of Mail

	% of Total Pieces 1974 N=14,820[1]	 1972 N=15,319[1]
Personal	25%	27%
Letter from friend or relative	14%	14%
Sympathy/greeting/thank you card	4	5
Invitation	2	3
Other personal	5	5
Business	59%	60%
Bill/invoice/premium notice	33	31
Advertising/promotion/sales material	7	9
Financial statements	7	6
Pay or other checks/money order/credit slip	5	5
Correspondence school	1	1
Other business	6	8
Social Charitable and Nonprofit	5%	5%
Nonprofit institutions	3	3
Social clubs	1	1
Other	1	1
Government	5%	4%
Bill/invoice/check	2	1
Political appeal/advertising	1	1
Other government	2	2
No answer/can't classify	6	4
Total pieces identified	94	96
Total	100	100

[1] N=households participating in the studies.

6. Sample Composition

The samples used as the basis for these tables were drawn from the population as a whole on a statistically reliable basis and parallel to general population in all major characteristics.

7. Summary Comparison

The volume of third class mail received by households in 1974 compared to 1972 is as follows:

Amount of Third Class Mail Received	1974 N=2,102	1972 N=2,062
None	30%	25%
Low (1-2)	32	32
Medium (3-5)	23	24
High (6 or more)	15	19

The major change was an increase in the 1974 percentage of households which received no third class mail, and a slight decrease in the percentage of households that received six or more pieces of third class mail. The low and medium volume percentage remained the same.

The increase in the households receiving no third class mail were:

- non-white households
- age of head of household 34 or less
- less than 25 age group
- less than high school graduate
- low family income groups
- city households

The decreased high volume households were:

- non-white households
- age of head of household 35-54
- education level of some college
- households with income levels of $10,000 or more.

The receiving household reaction to third class mail, for those getting two or more pieces, was at the same favorable level in 1974 compared to 1972.

	1974	1972
Favorable	36%	39%
Unfavorable	14	16
All others*	50	45

*Received no third class or only one piece.

4

Media

During its first four decades, direct response advertising was built on a media base of direct mail. And while direct mail has continued to be the primary medium for many direct marketers, the last 20 years have witnessed an explosion of new media categories which, in total, provide the advertiser with a dizzying number of media possibilities against which to allocate precious advertising dollars. Indeed, one of the major reasons for the current direct marketing explosion has been that advertisers can, because of computer technology, track their results in different media one against the other. Today, all aggressive advertisers seek to broaden their use of media, to reduce the risks inherent in too much dependence on just one medium.

Beyond Direct Mail

And, yet, as recently as 20 years ago, direct response advertising was defined principally in terms of direct mail. The first breakthrough in the use of media other-than-direct-mail occurred in the late 1950s when magazine publishers solved the mechanical problems to permit the binding-in of insert cards in magazines. It meant that mail order advertisers in magazines were no longer dependent upon on-page coupons; that prospective customers could now easily detach a business reply card from the magazine itself. This, in turn, meant that advertisers could start spending more and, in so doing, dramatically increase their results. At about this same time, Peter Rabar of Wunderman, Ricotta and Kline, Inc., and the late Leslie Klemes of CBS-Columbia House approached *TV Guide* with the idea of binding-in a hard stock, card insert into the center of the magazine. It was an immediate success. Since then, the center spread position in *TV Guide* has become the most successful and most sought after mail order position in the history of magazine publishing.

The 1960s saw the birth of free-standing preprints in newspapers, computer letters and dupe elimination in direct mail, and new disciplines for space advertising. Today's direct marketer utilizes not only direct mail and space, but also broadens his media usage to include television and radio, package inserts, the telephone and other specialized media. All of which are examined here.

A. Direct Mail

Despite the recent proliferation of other media, direct mail continues to be the primary medium for many direct marketers. The reason for its ongoing success is that direct mail can still pinpoint its target audience with more efficiency than any other medium.

The volume of direct mail is growing dramatically every year, as evidenced by the advertising expenditures volume in 1979, when it was $8,876,683,000, up from the $7,298,184,000 in 1978. *(See table, Section 1A)*

These impressive increases are taking place even though spiraling operating and production costs have an impact on the medium virtually every year. Postage rates, for instance, are continually going up. In 1960, the regular bulk rate for third class mail was $20 per thousand; it jumped to $84 per thousand in 1978. *(See table, Section 7A)*

Note that in the chart below, advertising expenditure dollars attributed to direct mail are not the same as DMMA's, but is the figure determined by McCann-Erickson. However, the basic percentage of advertising dollars attributed to direct mail would remain approximately the same and its relationship to the other major media would remain regardless of which set of figures were used.

Estimated Advertising Expenditures, by Medium: 1970 to 1979

(In millions of dollars, except percent)

Medium	1970		1975		1976		1977		1978		1979	
	Expenditures	Percent of total	Expenditures	Percent of total	Expenditures	Percent of total	Expenditures	Percent of total	Expenditures	Percent of total	Expenditures	Percent of total
Total	19,550	100.0	28,230	100.0	33,720	100.0	38,120	100.0	43,970	100.0	49,830	100.0
National	11,350	58.1	15,510	54.6	18,585	55.1	21,055	55.4	23,990	54.6	27,070	54.3
Local	8,200	41.9	12,820	45.4	15,135	44.9	17,065	44.6	19,980	45.4	22,760	45.7
Newspapers	5,704	29.2	8,442	29.9	9,910	29.4	11,132	29.2	12,707	28.9	14,585	29.3
National	891	4.6	1,221	4.3	1,502	4.5	1,677	4.4	1,787	4.1	2,085	4.2
Local	4,813	24.6	7,221	25.6	8,408	24.9	9,455	24.8	10,920	24.8	12,500	25.1
Magazines	1,292	6.6	1,465	5.2	1,789	5.3	2,162	5.6	2,597	5.9	2,930	5.9
Weeklies	617	3.2	612	2.2	748	2.2	903	2.3	1,158	2.6	1,315	2.6
Women's	301	1.5	368	1.3	457	1.4	565	1.5	672	1.5	735	1.5
Monthlies	374	1.9	485	1.7	584	1.7	694	1.8	767	1.8	880	1.8
Farm publications	62	.3	74	.3	86	.3	90	.3	104	0.2	120	0.2
Television	3,596	18.4	5,263	18.6	6,721	19.9	7,612	20.1	8,979	20.4	10,195	20.5
Network	1,658	8.5	2,306	8.2	2,857	8.5	3,460	9.1	3,975	9.0	4,540	9.1
Spot	1,234	6.3	1,623	5.7	2,154	6.4	2,634	5.9	2,581	5.9	2,890	5.8
Local	704	3.6	1,334	4.7	1,710	5.0	1,948	5.1	2,423	5.5	2,765	5.6
Radio	1,308	6.7	1,980	7.0	2,330	6.9	2,595	6.8	3,052	6.9	3,385	6.8
Network	56	.3	83	.3	105	.3	120	.3	147	0.3	170	0.3
Spot	371	1.9	436	1.5	518	1.5	580	1.5	620	1.4	680	1.4
Local	371	4.5	1,461	5.2	1,707	5.1	1,895	5.00	2,285	5.2	2,535	5.1
Direct Mail	2,766	14.1	4,181	14.8	4,813	14.3	5,340	14.0	5,987	13.6	6,650	13.3
Business papers	740	3.8	919	3.3	1,035	3.1	1,200	3.2	1,400	3.2	1,595	3.2
Outdoor	234	1.2	335	1.2	383	1.1	419	1.1	466	1.1	535	1.1
National	154	.8	220	.8	252	.7	275	.7	307	0.7	350	0.7
Local	80	.4	115	.4	131	.4	144	.4	159	0.4	185	0.4
Miscellaneous	3,848	19.7	5,571	19.7	6,653	19.7	7,512	19.7	8,678	19.8	9,835	19.7
National	2,126	10.9	2,882	10.2	3,474	10.3	3,944	10.3	4,485	10.2	5,060	10.2
Local	1,722	8.8	2,689	9.5	3,179	9.4	3,568	9.4	4,193	9.6	4,775	9.5

Source: McCann-Erickson Advertising Agency, Inc., New York, NY. Compiled for Crain Communications, Inc. in *Advertising Age* (copyright). Percentages derived by U.S. Bureau of the Census.

Today, it is difficult to be in the mail for less than $200 per thousand, and many mailers are now used to spending up to $300 per thousand and more.

Mailing Cost Survey To Determine Average Mailing Costs Per 1,000 Pieces of Direct Mail

In preparing the 1980 Fact Book update chart, Information Central surveyed approximately 150 DMMA members involved in various direct marketing programs. We specifically asked our members to complete a carefully outlined worksheet for the production of a "standard" direct mail package with given components and asked for the prices on its production in 50,000 and 250,000 quantities. Creative costs for the package were not to be included.

The figures presented below represent the average of 17 production managers' estimates for this package. Of course, there are hundreds of variables, but it is thought that this chart will be illustrative, to some extent, of the raw production dollars that a mailer must invest to simply be present in the mailstream. The highest and lowest "estimates" have been discounted, and the responses reflect a national sampling.

There are two important points to be observed:

1) The substantial differential involved in the production of the same package in two quantities, 50,000 and 250,000. This can be observed in the cost for each component. Only postage and list rental costs are constant.
2) In our surveying, it was determined that on an "average", in any given mailing approximately 50% of the names mailed are from house files, and 50% are to rented prospect lists. Therefore, in ascertaining costs per M for an entire mailing, only 50% of the costs for both these figures has been factored in; e.g., List Rental—$43.00 per M—chart indicates $21.50 cost to the mailer, per M, in a program of 50,000 pieces.

All costs are reported according to October 1979 prices. 1980 figures will be available early in 1981 from DMMA's Information Central.

Third Class Regular Bulk — 1979 Costs

(Includes Production, Postage & List Costs Only — Based on 50,000 and 250,000 Pieces)

	Components	50M (per M)	250M (per M)
1)	Letter – 4 pages 2 colors 8½ x 11 (17 x 11)	37.08	25.16
2)	Brochure – 4 pages 2 colors 8½ x 11 (17 x 11)	74.11	42.47
3)	Order Card 2 colors 5 x 7	24.51	13.60
4)	Reply Envelope 1 color 5½ x 7¼	21.20	14.25
5)	Outside Envelope 1 color 9 x 6	29.36	17.75
6)	Lettershop Charges per M	21.68	16.50
7)	House List – 50% of names mailed. Running costs: 50M = 5.68M 250M = 4.50M	2.84	2.25
8)	List Rental – 50% of mailing. ($43.00 per M. Selection costs included)	21.50	21.50
9)	Merge/Purge – per M	6.43	4.50
10)	Postage ($84.00 per M)	84.00	84.00
11)	TOTAL PER M	$322.71	$241.98

Source: DMMA Information Central

Third Class Non-Profit – 1979 Costs

(Includes Production, Postage & List Costs Only – Based on 50,000 and 250,000 Pieces)

	Components	50M (per M)	250M (per M)
1)	Letter – 4 pages 2 colors 8½ x 11 (17 x 11)	22.50	14.55
2)	Brochure – 4 pages 2 colors 7 x 8¼ (Folded to 4 Panels)	24.59	19.00
3)	Order Card 2 colors 8½ x 3½	10.96	6.96
4)	Reply Envelope 1 color 8¾ x 4	10.45	9.17
5)	Outside Envelope 1 color 9½ X 4¼	11.30	10.22
6)	Lettershop Charges per M	16.00	12.82
7)	House List – 50% of names mailed. Running costs: 50M = 5.68 250M = 4.50	2.84	2.25
8)	List Rental – 50% of mailing. ($38.00 per M. Selection costs included)	19.00	19.00
9)	Merge/Purge – per M	6.43	4.50
10)	Postage ($31.00 per M)	31.00	31.00
11)	TOTAL PER M	$155.07	$129.47

Source: DMMA Information Central

Comparative Advertising Mail Costs

Items of Cost*	1960 Cost Per M	1976 Cost Per M	Percent of Increase
1. Brochure–four colors	$19.14	$ 26.13	36
2. Premium Insert–four colors	8.60	10.30	19
3. Order card–four colors	3.81	7.36	93
4. Letter–two colors	4.17	6.64	59
5. Reply envelope–one color	2.22	4.11	85
6. Outer envelope–two colors	4.83	6.69	38
7. Mailing list	15.00	30.00	100
8. Lettershop charge	6.50	7.75	19
Total 1 (thru 8)	$64.27	$ 98.98	54
9. Third Class Postage	20.00	77.00	285
Total Cost Per M	$84.27	$175.98	108

*Based upon 1,000,000 quantity

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Number of Pieces of Mail Attributed to Direct Mail

Based on DMMA's Postal Volume Formula and U.S. Postal Service Revenue and Cost Analysis Reports (in thousands)

Year	First Class D.Mail=20%	Air Mail D.Mail=15%	Int'l D.Mail=15%	Postal & Post Cards D.Mail=20%	Third Class (all) D.Mail=95%	Catalogs D.Mail=100%	Total # Pieces	Total # Pieces Attributable To Direct Mail
1974	52,479,467	1,345,953	1,013,748	2,199,889	20,397,336	74,954	77,511,347	30,752,387
	10,495,893	201,893	162,200	439,978	19,377,469	"		
1975	49,257,069	1,109,182	931,941	2,115,595	21,867,253	81,623	75,362,663	29,070,918
	9,851,413	166,377	139,791	423,119	18,408,595	"		
1976	49,967,463	351,596	932,783	2,140,479	22,513,993	74,987	75,981,301	32,077,525
	9,993,493	52,739	139,917	428,096	21,388,293	"		

	First Class D.Mail=20%	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1977	53,827,034	199,487	28,562	612,518	17,138,794	6,825,799	84,998	684,899	79,402,091	34,247,163
	10,765,407	9,974	4,284	581,892	16,281,854	6,484,509	84,998	34,245		

	First Class D.Mail=10%*	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1978	54,557,218	213,329	32,504	539,724	18,684,430	7,020,146	85,431	718,935	81,851,717	30,524,728
	5,455,722	10,666	4,876	512,738	17,750,209	6,669,139	85,431	35,947		

	First Class D.Mail=10%*	Priority Mail D.Mail=5%	Mailgrams D.Mail=15%	Third Class Single D.Mail=95%	Third Class Bulk-Regular D.Mail=95%	Third Class Bulk-Carrier Presort D.Mail=95%	Third Class Nonprofit D.Mail=95%	Catalog D.Mail=100%	Int'l Mail D.Mail=5%	Total # Pieces	Total # D.Mail Volume Pieces
1979	58,215,317	231,835	37,989	444,871	15,509,303	4,492,980	7,552,602	104,087	755,674	87,344,658	32,580,461
	5,821,532	11,592	5,698	422,627	14,733,838	4,268,331	7,174,972	104,087	37,784		

*In 1978, the DMMA Postal Volume Formula was again updated. The percentage of first class mail attributable to direct mail, was revised from 20% share, down to a more conservative 10% share.

Note: In 1974 the DMMA Postal Volume Formula was updated. The percentages of each class of mail attributable to direct mail were increased to reflect actual mailing patterns. We have also included an estimated number of Business Reply Mail, Co-op Mailings & Bill Stuffers as part of the total number of pieces attributable to direct mail.

Importance of List Segmentation

An absolutely critical element in the success of direct mail is the correct, appropriate use and selection of the list chosen for the package. (*See Section 5 on Mailing Lists*) The list is the key to direct mail, but just as important is list *segmentation*. Selection by state, by sex, selection of active customers versus expires, selection of recent buyers versus all others, are all significant tools in the selection process; but they are not enough.

Major breakthroughs are being made in the areas of ZIP Codes and census tract selectivity. Lists are also being segmented by the original source of the name, recency of activity, frequency of activity, status of the account, monetary value of purchase activity and product affinity. There is great leverage in improved list selectivity, and every bit of it is needed to increase productivity in order to counteract increasing direct mail costs.

Lists and Mail Volume

Costs of direct mail lists are generally in the $30 to $50 per thousand range, though some compiled lists can be had for less and several current "hot" lists charge more.

To review the thousands of available lists, an essential tool is the current *Direct Mail List Rates and Data*, published by Standard Rate and Data Service.

Volume of Third Class Mail

	1977 # Pieces	1978 # Pieces	% Change (1977-78)	1979 # Pieces	% Change (1978-79)
Single Piece	624,641,000	566,074,000	– 9.4%	468,407,000	–17.3
Nonprofit	6,572,715,000	7,188,561,000	+ 9.4%	7,302,724,000	+ 1.6
Regular Bulk	16,852,307,000	18,575,178,000	+10.2%	19,742,000,000	+ 6.3
Total	24,049,663,000	26,329,813,000	+ 9.5%	27,513,131,000	+ 4.5

B. Space Advertising

Magazines

There are two broad categories of space media: magazines and newspapers.

The magazine business, after several shaky years, is booming. One reason is that publishers have learned from the "numbers game" fiascoes of the late 60s and early 70s that readers *can* be expected to pay a fair amount for the magazines they want. While this has increased the newsstand and subscription prices, publishers have found that they are reaching readers of far better quality than before. A second reason for the healthy state of magazines has been the emergence of numerous special-interest magazines aimed at specific psychographic and lifestyle groups.

Success of Special Interest Magazines

Despite the recent return of mass-oriented *Life* and *Look*, these impressive special-interest magazines are successful for direct marketers even though the costs per thousand (CPM) are generally increasing.

Magazines can be roughly grouped into five categories:

General Mass—High circulations, low CPM's. They include such magazines as *TV Guide* (20,000,000 circulation), *Reader's Digest* and *National Enquirer*. (*Parade*, a newspaper supplement, is covered under the newspaper section.)

Women's Service—Heavy circulation, reasonable CPM's. They include *Ladies' Home Journal, McCall's, Redbook, Woman's Day, Family Circle* and *Good Housekeeping.*

Shelter—*House and Garden, House Beautiful, Better Homes and Gardens* and, very upscale, *Architectural Digest* are good examples.

Business—High demographics, high CPM's. *Time, Newsweek, Forbes* and *Business Week*.

Special Interest—Many sub-categories, including Sports (the tennis and golf magazines, *Sports Illustrated, Ski,* etc.); How-to (*Popular Science* and *Popular Mechanics, Mechanix Illustrated*); Class (*New Yorker, Smithsonian, Quest*); Fraternal (*American Legion*); Literary (*Atlantic Monthly, New York Times Book Review, National Review*); and many others (*Ms., Playboy, Penthouse, Travel and Leisure*).

What Price Advertising?

What does magazine advertising cost? Anywhere from $2.00 per thousand to well over $20.00 per thousand, depending upon the specific magazines, their circulations, the unit which is run and the use of color. Negotiating the purchase of space in magazines is both an art and a science. Among key considerations are:

Mail order rates. Not every publication has them; when available, however, they can be up to 40% off the regular rate card.

Stand-by or remnant rates. Opportunistic direct marketers can often move quickly to take advantage of previously unsold space as a magazine closes an issue. On a national or regional basis, this can be up to 50% off the rate card.

Mail order sections of magazines (usually in back-of-the-book) may have special discounts.

Frequency or dollar volume discounts may be available.

Regional testing on a geographical basis, if testing is structured correctly, can tell you if a full-run of circulation is warranted. Publishers may give you a special discount to get the advertiser to test his magazine.

Special units/formats. What do they cost? Insert cards, full-page cards, spreads, use of additional colors can all be important in increasing results *if they turn out to be efficient.*

Per Inquiry (or P.I.) ads can sometimes be negotiated. (Make sure you agree, however, that the total P.I. commissions are not to exceed the rate card space.)

Newspapers

Some 1,700 daily newspapers with a total circulation of over 60 million a day are currently published in the United States.

There are three distinct ways in which to reach the newspaper reader: by individual paper (with on-page R.O.P.—(Run of Press)—ads or preprinted free-standing inserts) or through one of the syndicated Sunday supplements.

R.O.P. ads. Though inexpensive on a per line basis, they are not as successful for direct marketers as inserts or the Sunday supplements, primarily because the ads by definition do not have the visual impact or dominance provided by the other forms. Nevertheless, there are success stories being written by small space users, and many papers have regular mail order sections.

Preprints. These are printed by the advertiser and shipped to the paper for insertion. Preprints can be prepared in many different formats (everything from a single sheet to a 24- or 32-page catalog). Printing costs obviously vary according to the format. Insertion costs from the newspaper can vary widely depending upon the paper and the amount of circulation you are buying. These costs range anywhere from $15.00 per M to $40.00 per M or even higher. The use of preprints continues to grow: from 8-billion inserts in 1970 and 18-billion in 1976 to 20-million in 1977. (*See table in 1A*)

Consumer Acceptance

A recent survey, conducted by Richard Brehl & Associates for the Newspaper Advertising Bureau, gives us some idea why preprinted inserts are so effective and are used so extensively by direct marketers.

The survey found that, on average, more than eight out of ten (83%) of the women noting an insert, reported opening every page. And inserts are saved by one out of four women readers. Of those saved, 41% are kept for one or two days, 38% for three or four days, and 21% are kept for five days or more.

When more than one insert appears in the same issue, noting levels remain constant. Average noting scores range from 84% for one insert, to 82% when four inserts appear in the same issue.

- Inserts are effective vehicles for both cents-off coupons and certain product samples. (See also Couponing in this section, page 53).
- Inserts are normally supplied by the advertiser, not by the newspaper.
- The printing cost of a typical 2-page insert can run about $15 per thousand.

Shipping & Inserting

First, the inserts are stacked on skids or pallets in the special turns and bundles required by the newspapers. Then, the printer ships them in trucks, to arrive at the newspapers 7 to 10 days prior to the insertion date.

Inserts are stuffed, either by machine or manually, in the newspaper plant or out of the plant by the distributor or carrier; 80% of the daily and 92% of the Sunday insertions are in-plant operations.

Production Timetable

	5-10 million pressrun
5 weeks	for positives and engraving
1- 2 weeks	for printing
1- 2 weeks	for shipping to newspapers
1 week	for arrival at newspaper prior to insertion
8-10 weeks	

Source: The Insert Division of the Newspaper Advertising Bureau, New York, NY, is the prime source for information about preprinted inserts. It services and coordinates multi-paper insert schedules for advertising agencies and provides the basic information needed by media buyers and planners which enables them to evaluate insert programs. The Insert Division will also handle the complete logistics of a program from making space reservations and working with the printer of your choice to issuing one order, one bill for the space insertion cost.

Computer Information. The Bureau's in-house computer is the key to servicing advertisers with fast, accurate insert information. It generates printouts, in one common format, with the latest circulation, rate, mechanical and shipping requirements for more than 1200 daily newspapers in the U.S. and Canada.

> **Sunday supplements** offer massive circulation and low CPM's. *Parade* has a weekly circulation of 20 million-plus in some 125 markets, while *Family Weekly's* circulation is 11 million-plus in over 300 counties. The Sunday Group reaches 22-million circulation through 50 weekly papers.
>
> An added strength of Sunday supplements is their flexibility. An advertiser can buy only a few markets, or many. He also can split-test in most markets.
>
> Another advantage is the mail order "environment" of the supplements. Much of the advertising *is* mail order (as much as two-thirds in *Parade*, for example) which, indeed, seems to help response rather than hurt it.

C. Television

TV is direct marketing's newest fascination. Advertisers' use of the medium is growing each year for two reasons:

First, the circulation (audience) is staggering in its potential. There are now almost 73-million TV homes in this country, 46% of which are multi-set homes. The average home is watching TV six hours and ten minutes a day—higher than it has ever been. TV now reaches 89% of all men in an average week; 91% of all women; 90% of all teens ages 12 to 17; and 95% of all children 2 to 11. Television long ago replaced newspapers and radio as the source of most news for adults, and the medium is also rated as the most believable source of news and information.

The second reason for the expanded use of TV is that direct response advertisers are learning day by day how to apply to TV the same hard disciplines which have been applied to other media for so long. In other words, we are learning *segmentation:* how to reach, on an efficient basis, specialized groups of viewers, demographically and psychographically.

How Television Is Used

There are three basic ways in which television is used today.

> **To sell a one-shot**—a record package, for instance, or a set of steak knives. This one-time sale of a single product generally involves a two-minute commercial, of which the last 30 seconds (the tag) is devoted to ordering information including a post office box or an 800 telephone number for C.O.D. or credit card options.
>
> The maximum price at which one-shot merchandise can be sold on TV seems to range between $10 to $15.
>
> **To generate leads:** for schools or for an encyclopedia; for any product or service which involves either a sizeable financial commitment or is too complicated to explain adequately during a commercial. These commercials are the first part of a traditional two-step process, in which the names generated by the commercial must then be converted to sales.
>
> Sixty-second commercials are usually sufficient for this. As with one-shots, the tag is all-important. The action the viewer is asked to take must be spelled out completely and simply.
>
> **As support of another medium.** This is the newest and fastest growing use of the medium—using television commercials to call attention to the use of other, more primary media.
>
> A dozen major companies in the United States now have proved the effectiveness of TV to support direct mail, magazine and newspaper preprints. Among those who now use TV for support are *Reader's Digest*, Grolier, RCA and Columbia Record Clubs, Time-Life, and National Liberty.
>
> In this case, the commercial is 30-seconds long, and it usually begins running about four or five days prior to the anticipated delivery of the direct mail or the on-sale date of the space ad or newspaper preprint.
>
> Does TV support work? Yes, but there are important rules being established. First, the basic or primary effort (direct mail, etc.) must have no less than a 25% penetration into a given television market. With that established, various levels of support (gross rating points) should be tested to determine the most efficient use of TV.

Buying TV Time

Virtually all television "buys" are made on local stations as opposed to network (the only exception being the use of network spots on some support campaigns). In most cases, rates are negotiated directly with the station as opposed to dealing with the station "rep" firms. Most stations' time charges for direct response spots are 15% to 45% off the regular national rate, (and there are still a number of stations which will accept a schedule on a Per Inquiry basis, though some minimum buy is established at the outset).

Though direct response advertisers enjoy considerable discounts in buying TV directly from the stations, the stations will usually only accept a schedule on a preemptive basis; that is, stations have the right to bump the spots if they can secure a full-rate advertiser prior to air dates. This can make scheduling difficult, and direct response advertisers may not know until several days after the "buy" whether or not their schedule ran as ordered.

Experience shows that top-rated programs are *not* best for direct response offers. Indeed, prime time (8-11 P.M.) is usually not as efficient as fringe time, late night or weekends. Experience also shows that repeated exposures of the same commercial over a short period of time are efficient (running the commercial three times, for instance, in a two-hour movie.)

Specific per-spot costs vary widely depending upon the station and its ratings position in the market vis-à-vis other stations; the time periods and programs involved; the length of the commercial and the duration of the buy.

Seasonality is as important in TV as in other mail order media. Response is usually best in the first quarter of the year (when sets-in-use are highest), and this coincides with a period in which rates for direct response advertisers can be very advantageous.

D. Telephone

In the past 10-15 years the telephone has emerged as a full-fledged medium for direct marketers.

The introduction of WATS lines (out-bound and in-bound '800' lines) meant that business could reach or be reached by their prospects and customers on a nationwide volume basis. This nationwide expansion also related directly to the evolution of computer capability to focus on ever dynamic market segments (commonly referred to as "lists" by direct marketers).

In effect, technology, market research and economics have combined to bring marketing definition and acceptance to a medium that is over 100 years old. If you then add the highly personal nature of the medium and the concepts/controls of production technology you arrive at

"the only person-to-person mass marketing medium".

How The Telephone Is Used

A. Out-going Calls, In-coming Calls or Both?

The decision will evolve from any basic assessment of: product; promotion; price and place (markets).

However, you should consider that in the main, telephone is an incremental medium (i.e. '800' numbers have to be advertised somewhere), but that it is at the same time *the most* flexible medium: it can work in combination with any media.

B. Markets (Consumers, Business, Institutions, etc.)

Similar to other media, your response will be best from the following (priority) sequence: current customers; past customers; recent inquiries; past inquiries; select (psychographic) prospects and select (demographic) prospects.

A basic barometer is that telephone should out-produce mail with the multiple of phone over mail increasing with the better segments.

If TV is a shot gun and mail a rifle, then cost-effective telephone should be viewed as a laser beam.

C. Call Objectives

1. Out-going: Sales (new, reactivations/renewals, upgrading, etc.); Lead generation; Sales and market research; Customer service; Credit screening and Collections.
2. In-coming: Take a name and address; Take an order; Screen prior to order taking; Upgrade orders and Customer service.

D. Call Strategies

1. Timing: Prior to mail or other advertising; With receipt of mail and After mail—soon or much later.
2. Message Delivery: A live communicator only and a live communicator in combination (introducing and coming back on the line) with a pre-recorded tape message.
3. Fulfillment

   As is the case with any direct response media, the back-end must be carefully planned for and monitored to insure maximum conversion and payment.

E. Budgets

Estimated cost per 1,000 calls . . . $750 to $5,000

Note 1: Relative to direct mail, telemarketing seems expensive, but on items ranging from $7.00 to $2,000 response rates can be anywhere from 3% to 40% which makes cost relative.

Note 2: Cost of a call depends on volume, location from which made, objective and length of the call. A business-to-business call which often must be on a technical subject can last up to 30 or 45 minutes; the communicator, therefore, makes fewer calls per working day with a higher per call cost than another communicator who is making short, uninvolved calls to consumers.

Miscellaneous Telemarketing Figures—Consumer

		%
Total U.S. households	79,000,000	100
Total main phone numbers	78,000,000	
Estimated phone-reachable customers/prospects at a given time	53,720,000	68[1]
Total phones (including extensions)	128,000,000	
Estimated total annual calls *made*	123,800,000,000	
Average number of annual calls *made* per main phone	1,587	
Average number of daily calls *made* per main phone	4.3	

Miscellaneous Telemarketing Figures—Business

Total establishments	6,000,000+
Total main phone numbers	15,000,000
Total phones	48,800,000
Estimated total annual calls *made*	120,300,000,000
Average number of annual calls *made* per main phone	8,020
Average number of annual calls *made* per phone	2,465
Average number of business day calls *made* per main phone	31

[1] The vast majority of telemarketers use *only* published telephone numbers. The only acceptable reason for calling an unpublished number is when the customer has volunteered his number knowing in advance he will receive calls. The use of automatic dialers which call numbers in sequence whether they are published or not is unacceptable.

Estimated Number of Telemarketing Calls and Their Costs

(By Categories)

Number of calls **made** by **consumers to businesses** to place orders estimated at 16 per household per year:	1,248,600,000
Percentage of above number of calls made via local message-free, message-toll and collect:	90%
Percentage of above number of calls made via regular long distance message-toll, collect and "800" calls:	10%
Annual expense to businesses based on an average of $1.05 per call *received*:*	1,310,400,000

Incoming telephone calls almost always require some form of advertising to stimulate the call; e.g., catalogs, mail, print, television, radio, etc.

Number of calls **made** annually by **businesses to other businesses** to solicit orders:	1,272,000,000
Percentage of above number of calls made via local message-free, message-toll and collect:	90%
Percentage of above number of calls made via regular long distance message-toll, collect and "800" calls:	10%
Annual expense of businesses based on an average of $2.10 per call:*	2,671,200,000

---

*Price per call includes labor, calling lists and creative costs.

Number of calls **received** annually by **businesses from other businesses** to place orders:	1,590,000,000
Percentage of above number of calls made via local message-free, message-toll and collect:	90%
Percentage of above number of calls made via regular long distance message-toll, collect and "800" calls:	10%
Annual expense to businesses based on an average of $2.10 per call received: *	$3,339,000,000
Number of calls **made** by **businesses to consumers** to solicit orders (based on an average of 19 calls per household X 53,720,000 of phone-reachable households):	1,020,680,000
Percentage of above number of calls made via local message-free, message-toll and collect:	90%
Percentage of above number of calls made via regular long distance message-toll, collect and "800" calls:	10%
Annual expense to businesses based on an average of $1.21 per call: *	$1,235,023,000
Totals: Calls made/received	5,130,680,000
Expenses	$8,555,623,000

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*Price per call includes labor, calling lists and creative costs.

Note: 1978 figures reported. In assessing the preceeding analysis of the size of the telephone marketing industry, it is important to note that no comprehensive study has been done to verify these figures. These figures represent an extrapolation of a small amount of empirical data performed by one of the leading figures in this field. When the calculations were originally performed, the statistics represented (and still do today) his best estimate of the size of telephone marketing.

However, a recent survey of DMMA members pointed to a total dollar expenditure of just over 3 billion, as opposed to the almost 10 billion shown here. The survey, though, was too small to provide truly reliable numbers.

Another reason for the discrepancy has to do with the definition of telephone marketing and its call objectives. The call objectives which are presented here, appear too broad to be really called telephone marketing (example: credit screening and collections).

The Telephone Marketing Council of DMMA, with the help of AT&T, has undertaken the job of trying to develop a tighter definition of telephone marketing and statistics which accurately reflect the total industry.

Estimates of Annual Call Volumes for Six Actual Consumer Businesses

Business	No. Calls	Estimated Unit Cost	Total Expenditures
Photography (Out-WATS)	75 Million	$ .80	$ 60,000,000
Continuity Books (Out-WATS)	25 Million	.80	20,000,000
Insurance (Out & In-WATS)	3 Million	1.50	4,500,000
Stock Brokerage (Out & In-WATS)	45 Million	2.00	90,000,000
Catalog Division of Retail Co. (Out-WATS)	18 Million	.75	13,500,000
Newspaper (Out-WATS)	1.5 Million	1.50	2,250,000
	167.5 Million	$1.14	$190,250,000

Note: Of these six companies, only one is totally WATS, another two are partial WATS and three are primarily local call operations.

E. Special Media

There is a host of additional media possibilities for direct marketers. What separates these specialized media from the primary media is that building a business with them is generally impossible.

While the total costs for these special media are far cheaper than solo direct mail, the response is also far less. Nevertheless, as extensions to a company's sustained use of direct mail or space, it is often possible to add profit promotions with relatively modest expenditures.

Package Inserts. Many leading direct marketing firms around the country sell (in effect) space in their merchandise shipments to their own customers. (The consumer ordering from Sunset House, for example, may find five or six other mail order offers in the same package containing his merchandise.) The size and weight of the insert can vary, and the cost, in addition to printing, is from $25 to $40 per M, with a rough average of $30 per M.

The catalog houses (Sunset House, Helen Gallagher, House of Wesley, etc.) are particularly active in package insert programs, and they are successful for many advertisers.

Statement Stuffers. Similar in concept to package inserts, but a company's advertising message is inserted into monthly bills from department stores, credit card statements, or bills or renewal notices from publications. Costs of enclosures range from $15 to $40 per M (plus printing).

Co-op Mailings. These are a series (up to 20) of non-competitive offers all enclosed in the same outer envelope. (The Carol Wright co-op is a good example.) Average cost is $25 per M (plus printing). The outer envelope is usually 6x9 inches; each participant's piece is usually limited to one sheet, printed on two sides, including a coupon.

And, of course, there are others: *Catalog bind-ins,* in which your ad is in someone else's catalog; *Circulars,* where your insert is in circulars or penny-savers delivered or mailed to homes in a given area; *Sampling,* that uses a small sample of your product in another marketer's package to his customers; *Door-to-door,* which has a low cost of perhaps $15 per M; and *Take-ones,* that are found on public transportation or in stores; *Matchbook covers,* etc.

F. Coupons

There has been a steadily increasing usage of coupons by manufacturers since the early 1970s. Some have called it a "coupon stampede", others the "coupon boom" and still others "the cents-off deluge".

As indicated in the following chart, distribution of cents-off coupons in 1979 were up 12% over 1978 and increased by 127% in the four years from 1975 to 1979. This rising trend is a reflection of both the increasing utilization of couponing as a marketing tool and also of the growth in the number of manufacturers that use coupons. While there were perhaps 350 couponers in 1960, now over 1,000 companies use coupons as an integral part of their promotional and merchandising strategy. In addition, manufacturers have found it helpful and productive to use coupons on products that they had previously not included in their coupon programs; thus, more and more different types of products are being couponed.

The vast majority of coupons are issued for food items with household products, toiletry items and drug products following in that order.

Trend in Coupon Distributions

(Billions of Coupons)

1971	20.3
1972	23.4
1973	27.6
1974	29.8
1975	35.7
1976	45.8
1977	62.2
1978	72.7
1979	81.2

Types of Product Manufacturers Issuing Coupons

	%
Food Items	99
Household Products	90
Toiletry Items	73
Drug Products	37

Coupons Stimulate Business

As in all business, manufacturers would not be issuing these billions of cents-off coupons if the marketplace were not receptive. Studies of consumer attitudes to coupons reveal that two out of every three households in the United States now use coupons as an integral part of their regular shopping habits because consumers say they:

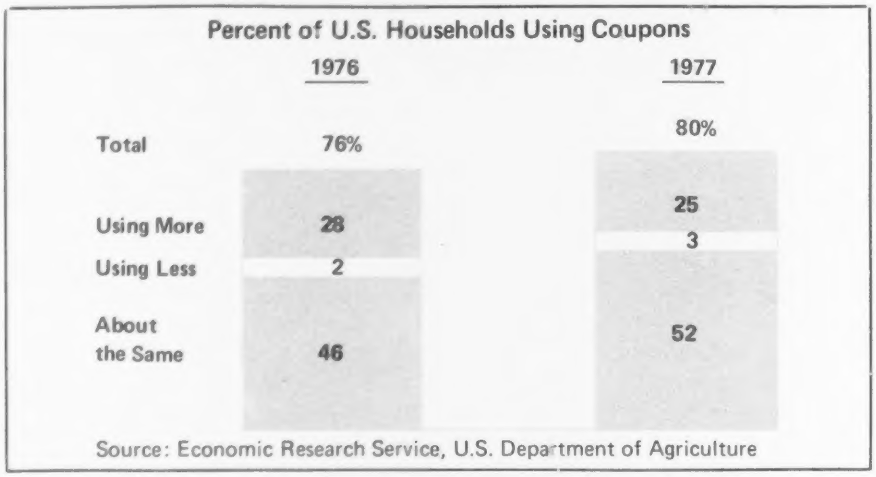
- Save money
- Tell them about products and encourage them to try new products
- Reduce the cost of the products

Marketers use them to:

- Improve competitive penetration in a market
- Move out-of-balance inventories
- Stimulate product demand at the retail level as a means of obtaining retailer agreements to stock a product
- Accelerate the introduction and widespread use of a new product
- Obtain new users for an old product

More Families Using Coupons

Paralleling this trend, consumer interest in coupons appears to be at an all-time high. According to the latest U.S. Department of Agriculture national survey of 1,433 consumers, four out of five families (80%) are using coupons. The U.S.D.A. survey results summarized here indicate that the percent of U.S. households using coupons increased from 76% in 1976 to 80% in 1977. Moreover, it is significant to note that about one out of three coupon users say they are using more coupons than ever before.



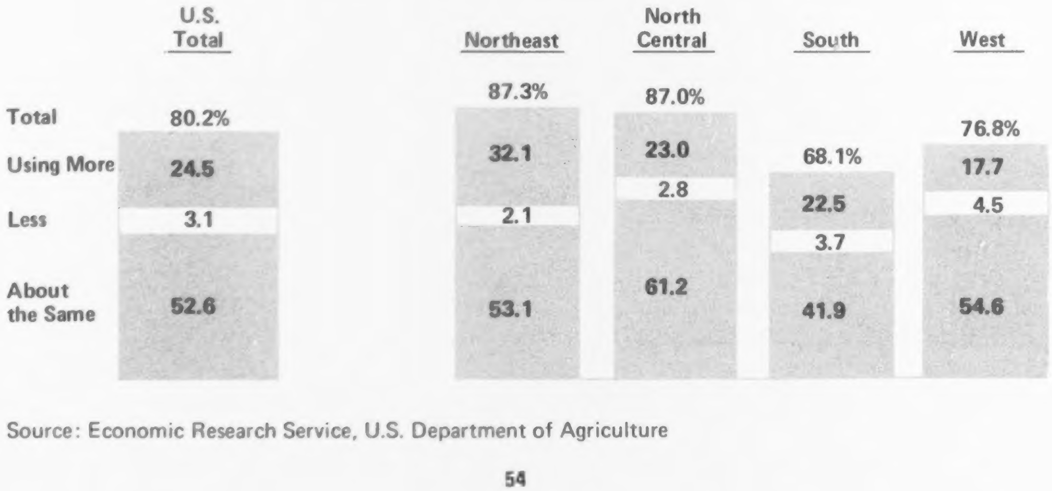
Percent of U.S. Households Using Coupons

Source: Economic Research Service, U.S. Department of Agriculture

Highlighted here are results of the U.S.D.A. nationwide, personal interview survey of 1,433 consumers in March, 1977. Among various questions, the respondents were asked: "Compared to January 1976, how frequently do you now save and use food coupons?" As shown in the chart below, 80.2% of the total households said they were saving and using coupons. Of particular interest was the breakdown of the number of these consumers who were using more coupons (24.5% of all U.S. families), compared to those who were using less (3.1%). The rest of the coupon users (52.6%) indicated they were using coupons to about the same extent as previously. Thus, nearly one out of three families who use coupons say they are using them more often. The remaining 19.8% of all families said they do not currently use coupons.

Supporting data from the survey provides a breakdown of coupon usage in four regions of the country. This highlights the level of consumer involvement with coupons in the Northeast and the North Central regions (at 87%), with many of the people in those areas saying they are using more coupons. The South is below average in terms of coupon usage (at 68.1%), while three out of four households in the West (76.8%) indicate they are saving and using coupons. The U.S.D.A. survey results are summarized below:

Percent of Households Using Coupons



Source: Economic Research Service, U.S. Department of Agriculture

Methods of Coupon Distribution

Along with the expansion in couponing activity, many innovative programs for distributing coupons have been developed and made available to marketers. As a result, a manufacturer can now choose from among many alternative ways to deliver his coupon programs and depending upon his individual needs and objectives.

The following chart shows coupon distributions among the six principal media. Over the years, newspapers have accounted for about half of all the coupons in circulation. Free-standing inserts, which are circulated with the Sunday newspaper, jumped sharply in 1979 to account for 14.9% of total distributions. Weekly and monthly magazines' share of coupons in circulation rose in 1979, as did direct mail distributions which now account for a 3.2% share of total distributions.

Percent of Distributions by Media

	1975	1976	1977	1978	1979
			(Billions of Coupons)		
	35.7	45.8	62.2	72.7	81.2
	%	%	%	%	%
Newspapers	55.9	55.8	56.0	55.6	52.3
Sunday Supplement	11.6	9.5	8.5	7.7	9.5
Free-Stand Insert	6.5	7.2	11.2	13.4	14.9
Magazines	13.8	15.4	12.5	11.4	12.2
Direct Mail	4.2	4.1	3.0	3.0	3.2
In/On Pack	8.0	8.0	8.2	8.9	7.9

Redemption Rates by Media

In planning and budgeting for a coupon promotion, it is important to develop an estimate of the redemptions that will be generated by the offer. Estimating the number of redemptions for a coupon program is primarily a function of the method of distribution (media) used for the promotion. There are many other factors which can influence the response to a coupon offer, but the media used to distribute the offer is normally the dominant factor.

To develop current information on redemption rates for each medium, a detailed study was made of the records of all grocery product coupon promotions in the Nielsen Clearing House (NCH) data bank. The results of this study are presented in the following pages. The analysis is based on a broad cross-section of cents-off coupon promotions covering a wide range of grocery product classes, types and brands and coupon face values. Health and beauty aids are not represented in the study. (No retailer in-ad coupons are included in the analysis.)

The study reports the redemption rates by medium for typical coupon offers circulated during the preceding years. All of the redemption figures presented are based on actual final or projected-to-final total redemption levels.

When using these average redemption patterns in planning or evaluating his coupon promotions, a manufacturer should take into account his own experience with coupon promotions on his products. This is important because coupon offers on individual products or brands may, for a number of reasons, redeem differently than the composite averages reflected in these industry figures.

Coupon Redemption Rates by Media

Media	Type	Average Redemption Rate	Middle-Half Range
Daily Newspaper	R.O.P. Solo	2.9%	1.7% – 3.6%
	Co-op (all)	3.3%	2.3 – 4.6
Sunday Paper	Magazine	2.1%	1.1 – 2.9
	Comic Section	1.6%	1.0 – 2.4
	Free-Standing Insert	5.0%	3.2 – 6.4
Magazine	On-Page	2.5%	1.7 – 3.2
	Pop-Up	4.8%	3.2 – 6.8
Direct Mail		10.5%	7.2 – 15.9
In/On Pack	Regular In-Pack	17.6%	10.4 – 30.0
	Regular On-Pack	12.8%	6.6 – 22.8
	Cross In-Pack	7.0%	3.6 – 11.2
	Cross On-Pack	3.7%	2.3 – 7.1

Source: A. C. Nielsen Company

Middle-Half Redemption Ranges

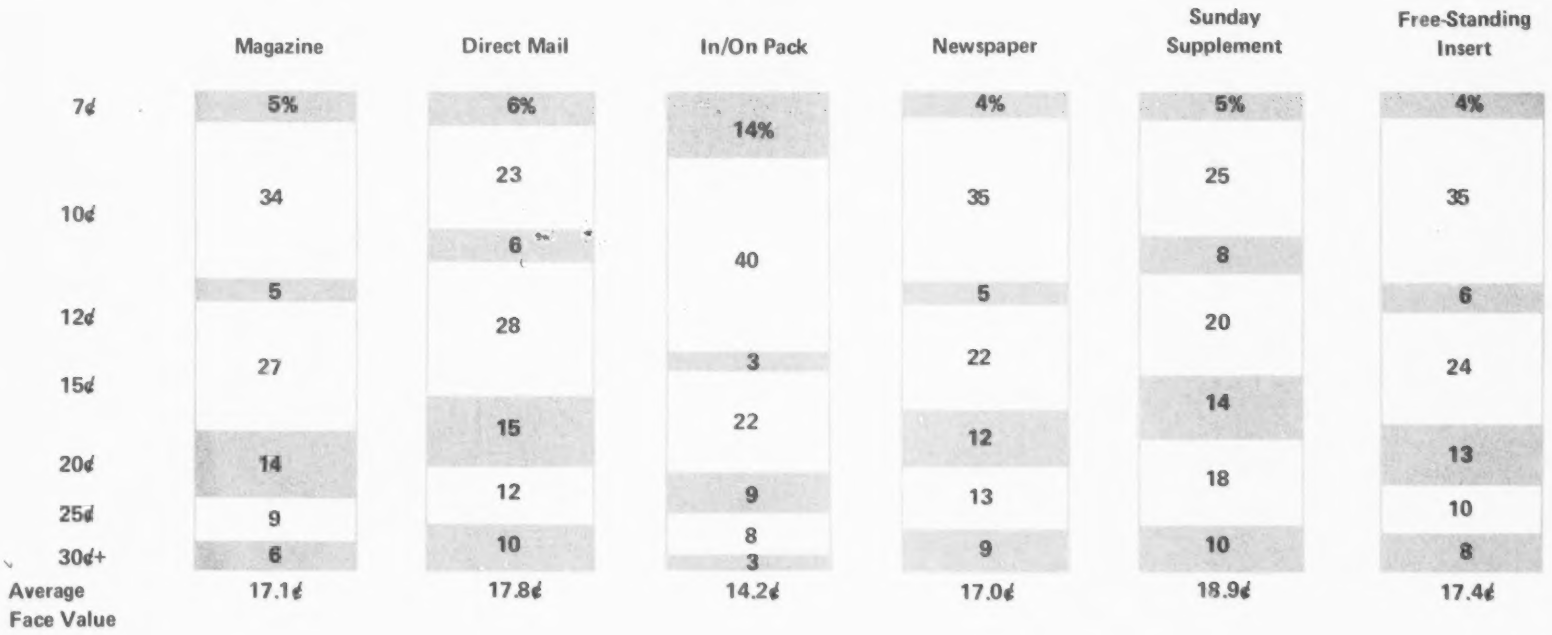
While we have discussed the *average* redemption rates, it should be recognized that many offers do not match general average rates. Thus, consideration should be given to the middle-half redemption ranges, which describe the differing response patterns that offers experience either above or below the general average rates.

Using free-standing insert coupons as an example, it will be noted in the table that follows that the average redemption rate is 5.0%, but that the middle half of all coupon offers circulated in that medium achieve a response ranging from a low of 3.2% to a high of 6.4%; in other words, half of all Sunday free-standing insert coupons redeem somewhere between 3.2% and 6.4%.

This point is particularly apparent in the case of in/on pack coupon promotions. Because of the differences in products involved and the relative degree of brand loyalty reflected, there are very substantial differences between the response rates for individual in/on pack coupon offers—as indicated in the middle-half ranges for offers circulated in this medium. Many factors contributed to this wide range in response rates realized via in/on pack coupon promotions.

Direct Mail coupons reflect similar variations in response to individual offers. While averaging 10.5% across the board, redemptions of direct mail coupons range all the way from 7.2% up to 15.9% among the middle-half group.

Percent of Coupon Distribution by Face Value Within Media



Source: A. C. Nielsen Company

Coupon Face Values

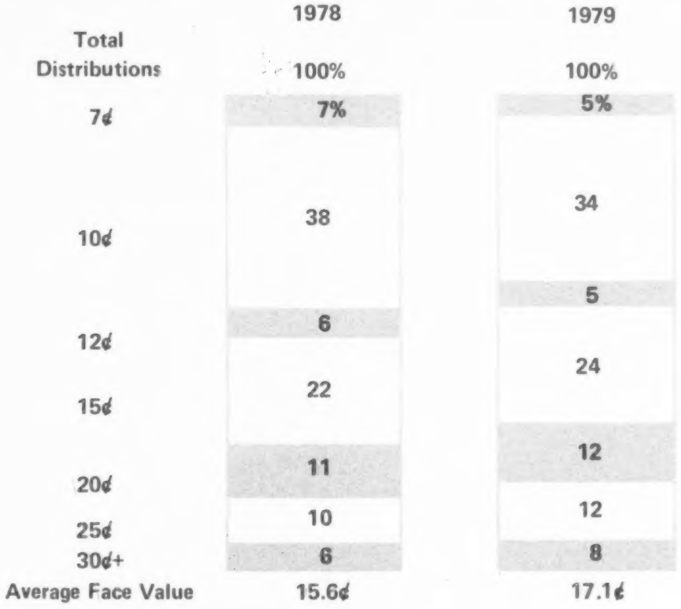
Along with the expansion in couponing activity and growth in number of coupon programs/vehicles available to marketers, there have also been changes in the make-up of face values used on coupons.

Manufacturers are exercising more selectivity and originality in designing their coupon promotions from the standpoint of distribution vehicles, coupon design and placement, and with respect to its value.

Reflecting the steady rise in grocery prices, we have seen a gradual increase in the average face value of coupons distributed by manufacturers; the typical coupon now averages 15.6¢. In contrast to the situation several years ago, we are now seeing fewer 7¢ coupons, while considerably more 10¢ and 15¢ coupons are being circulated.

The selection of face values differs somewhat in coupon promotions among the various media. These differences are compared in the three charts following which describe the distributions by face value in each medium. It will be noted that direct mail and Sunday supplement offers tend to use somewhat higher

Percent of Total Coupon Distributions
By Face Value



Source: A. C. Nielsen Company

face values, while in/on pack coupons offer smaller savings to consumers. Across the board, 10¢ is still the dominant face value used in coupon promotions; 10¢ coupons outnumber all other face values by a substantial margin in all media with the exception of direct mail promotions (where 15¢ coupons lead).

Misredemption

Misredemption is the major problem confronting couponers. Traditionally, those coupons delivered by direct mail have the lowest misredemption rate. Because they are enclosed in a sealed envelope and addressed to a particular person or family, there is much less opportunity for individuals who specialize in fraudulently using coupons to lay hands on them.

In recent years, newsletters and mail clubs have sprung up with the sole objective of collecting and exchanging coupons. Often, entire shopping sections of newspapers are collected in bulk for on-page coupons which are then exchanged in bulk with the connivance of some employees of various retailers. On the whole, however, the clubs appear to operate in a fairly straightforward manner.

Syndication and Syndicators

The majority of non-merchandiser mail order operations obtain the merchandise through what direct marketers call "syndicators". The mailing which utilizes one company's name and customers and another's merchandise is called a "syndicated mailing".

There are some companies such as Douglas Dunhill and Mark James which specialize in locating and/or manufacturing merchandise, stocking it and drop shipping the orders to the individual buyers. Some syndicators offer such a wide variety of merchandise they can create a special catalog for a non-merchandiser. Inflight catalogs are a good example.

Other companies, such as Ambassador International and Grolier, will offer only selected items from their inventory to other companies. Often these items will be advertised as premiums to sales agents or distributors or offered as premiums to consumers as incentives to buy a particular product.

The majority of consumer merchandise offered through syndication ranges in price from $20 to $400 with a few products going even higher. Gift items such as electronic watches, calculators, home and office accessories, small appliances such as food processors, microwave ovens are good examples of the types of merchandise sold via syndication.

There appears to be no common method among syndicators for promotion, fulfillment, order processing, handling of returns. Few maintain an inventory of ready-to-ship promotion pieces but it is becoming increasingly common for the syndicator simply to supply positives with the user arranging his own printing, inserting and mailing.

Fulfillment can be handled by the syndicator but often he simply serves as a middleman, with the manufacturer or importer maintaining inventories and providing drop ship services. Drop shipping fees are usually charged per order with postage extra.

Order processing arrangements can be arranged so the syndicator handles orders directly and sends the mailer a daily or weekly computer printout for billing purposes. In some instances, the mailer handles all returns and sends the syndicator addressed labels for shipping purposes. In still other instances, a separate order processing organization is used.

Response Methods

Part of any transaction is the sales presentation; another part is the action taken by the recipient. We've briefly looked at the media used to deliver the sales message. What media or other methods are used by the recipient to affirmatively respond?

Response can be made by:

- Mail—Sending a filled-in coupon or a completed order form
- Telephone—Frequently taking advantage of a free "800" number
- Visit—to a store or a catalog desk in the store or to a catalog showroom

5

Mailing Lists

Keystone of Direct Mail

It has been suggested that we live in an age of mass communications. And with mass communication of any kind we are dealing with its indiscriminate distribution. There are no names attached to the receiving end and all receivers get the same message. The whole point in using the mails lies in the possibility of selectivity. Thus, mail is the one form of communication we now have that is both mass and *individual* and regarded as extremely effective both ways.

However, direct mail would not be a viable advertising medium without a list of individuals to whom you can send your message. What is a list? It is a simple series of words, names or numbers. It can be a grocery list, a Christmas list, a list of things to do, and the like. It has been said that there isn't a person alive who, at one time or another, hasn't thought to himself—I think I'll make a list! In fact everyone has a list.

So, the list broker, by bringing lists into the marketplace, has had a real part in the development and growth of direct mail. The entrepreneurial list broker recognizes a list of names where others see only a method of licensing automobiles, having a baby, delivering books and magazines, giving away a free booklet, or selling a product.

In the eyes of the direct mail practitioner, a transaction is more than what it appears to be: it is also a list. When people have enough in common to be on the same list, it is assumed they also share an identifiable market for some product.

Internal vs. External Lists

Mailing list brokers offer about 15,000 consumer and industrial lists that are derived from both direct response and compiled names.

Mailing list compilers are specialists who prepare lists from a variety of sources: directories, rosters, registration at trade shows, membership roles, etc.

> **Internal Lists (or House Lists) include customers, former customers, prospects, inquiries, employees, salesmen's contacts, warranty cards, stockholders, referrals, etc.**

Without exception, these names are the most responsive for any direct response marketer. However, it is essential that definitive data be developed on these files to provide the selectivity factors so critical in the use of any name-and-address file.

Selectivity factors which should be considered include the: date of initial purchase; frequency of purchases; dollars spent; date of last transaction; type of products purchased; source from which the name was acquired. This encompasses the RFM theory (Recency-Frequency-Monetary method of controlling circulation) and psychographics.

> **External Lists** include both direct response and compiled lists. *Compiled lists* do not necessarily represent direct mail buyers, but do have common characteristics which define the market. Such lists include, for example: college students, new mothers, stratified lists (compiled from street-address directories with overlaying census tract statistics), household census lists (from city directories offering selections by occupation, home ownership, etc.), farmers, businesses (covering individual names and company names with extensive selections), doctors, lawyers, teachers, etc.
>
> *Direct Response*, or Mail Response, names indicate the person was contacted and/or used the mail to effect an inquiry or purchase. These lists represent a wide variety of market categories ranging from business books and publications, business supplies, financial services, low-ticket and high-ticket merchandise, credit cards and trade publications to cultural books and magazines, luxury foods, self-improvement, insurance, etc.

Computer Technology In List Management

Computer technology has provided the mail order industry with the ability to segment lists for more targeted marketing. Selections are available according to ZIP Code, recency, frequency, dollar volume, type of item purchased, changes of address, sources used to acquire names and sex. Computer technology has also developed the techniques currently in practice on a large scale, for removing duplications among lists.

The details of such a list are entered on a "data card". The rate, which is quoted on a per-thousand-name basis, ranges between $35 and $50 with the average price around $37.50.

Almost 99% of all list transactions are on a *one-time* rental, or exchange, basis and for a particular mailing on a specific mail date. Most list owners will also require prior approval of the mailing piece. It is a customary practice to protect the particular mailing for one week before and one week after the approved mailing date.

The fact that direct mail is measurable is a key to its success and record keeping is a critical aspect of the total picture. Each list used must be assigned a unique key number on the return document so that responses can be recorded against the proper list.

Moreover, it is essential to any direct mail program to set up the mechanism to analyze results in a meaningful way. Responses must be both qualified and quantified with careful attention paid to the meaning and interpretation of the results. Societal changes suggest that attitudes and lifestyles (psychographics) are impacting on the marketplace. And changing living habits unquestionably result in changing buying habits. Marketers must keep alert to these changes.

In studies conducted on attitudes and behavior, the most distinct correlation that emerges between receptivity and activity is in the type of product being offered. It is the product and message that seem to count. This is true only if the message is delivered to the right prospect.

6

Promotion

Asking for the Order

Whether the medium is television or telephone, print advertising or direct mail, the moment of truth for all mail order sellers comes when they ask their prospective customers for the order. Even the most elaborate advertising description of the most desirable product will fall short of its full sales potential unless the prospect is invited to buy in a way that effectively prompts action.

The range of proven "offer" options and techniques is a broad one and successful direct marketers regularly test new approaches and combinations to maximize their sales results. They range from variations of Aaron Montgomery Ward's "money-back guarantee"—first promoted more than 100 years ago—to contests and other reader involvement devices that rely on the latest computer and printing technology. Their common objective is to make a positive response to a sales proposition as convenient, desirable and attractive as possible.

There are several tactics to be considered when developing a sales offer strategy:

Pricing

The optimum selling price of a product is determined by a combination of factors. Besides its cost, there is also the authority, value and satisfaction that the customer perceives the product will deliver. Only through careful testing can that best price point be established.

Often a mail order selling price that represents a savings from retail value or on established price can be used to stimulate sales. The rationale may be a special "customers only" offering, a pre-publication savings, inventory close-out opportunity, or other legitimate offer. If the product is sold at its full price, other devices such as the offer of premiums or sweepstakes, can be used to increase response. *(See FTC guidelines on Deceptive Pricing, page 99.)*

Payment Methods

The tremendous growth in the use of national credit cards has resulted in major sales gains for many mail order firms that formerly operated only on a cash-with-order basis. Most firms have found that credit card billing options result in higher responses and a larger average order. Other sellers offer their own "bill-me-later" credit to customers through sophisticated credit and collection programs and facilities. The methods of payment available to prospective customers can have a significant effect on their responsiveness to an offer.

Payment Terms

The opportunity to pay for a higher-priced product in installments is attractive to many consumers and can lead to greater acceptance of the offer. Direct marketers who offer credit terms to their customers often find this option a profitable one. However, the advantages of possible greater sales must be weighed against the "cost of money" in the extension of credit, accounts receivable turnover and the return on the seller's investment. *(See Fair Credit Reporting Act, Regulation "Z", page 98.)*

Trial Offers

The offer of a period of time in which to personally examine a product before deciding to purchase or keep it—or an opportunity to sample the product—is another proven way to enhance the response to mail order solicitations. For example, "Examine it in your own home for 14 days . . . ", or "Take the First Volume for only $1.00 . . . ", and similar propositions, have long been known to be effective for many products and programs.

Guarantees

The integrity of the mail order seller and his product is reinforced most effectively when a "satisfaction guaranteed or your money back" warranty accompanies and supports the offer. Product claims of authority, quality and value are weakened by its absence. The guarantee should be present in every direct marketing offer and compliance to its stated promise must be scrupulously followed by the seller. *(See FTC guidelines regarding Guarantees, page 111.)*

Premiums

Another successful action-prompting device is the offer of one or more premiums for examining or purchasing the product. To be most effective, the premium should be related to the product being sold or the specific audience being addressed. A note of caution, however: promotion enhancements such as premiums and sweepstakes, while boosting response, may also attract less qualified respondents in terms of credit worthiness and final product acceptance. *(See FTC guidelines on the use of the word "Free" or similar representations, page 102.)*

Sweepstakes and Contests

The presentation of a sweepstakes contest in conjunction with a product offer can result in a dramatically higher number of orders. Many mailers have had great success with the technique and some rely almost exclusively on sweepstakes as the vehicle for their offers. A large volume of mailings is usually a requirement for a cost-effective sweepstakes promotion and mailers considering this type of promotion should seek the counsel of a reputable agency specializing in sweepstakes to be sure all legal guidelines will be satisfied. *(See FTC guidelines concerning Sweepstakes, page 103.)*

Time Limits

To lend urgency to the sales message and to overcome a prospect's natural inertia, a time limit can be placed on the offer. By asking for the order by a specific date or within a given number of days, the seller helps the prospect face the buying decision immediately with the benefit-filled sales presentation still fresh in his mind.

7

Delivery Systems

A. United States Postal Service

Rates and Classifications

U. S. Postal Service rates and classifications are determined by the Postal Rate Commission. At present, there are four major classes of mail, first through fourth, with each receiving different types of service. The class of mail and the service it receives from postal workers determines the rate charged to users of each class.

First Class—Users pay a premium rate to receive significantly faster and more costly handling. Approximately 20% of all first class letter mail is direct mail. About 5% of all first class mail consists of business reply envelopes and cards.

Second Class—A diverse grouping of five subclasses including magazines, newspapers and other periodic publications. These subclasses are: regular rate mail, classroom publications, nonprofit mail, transient rate mail and within county mail. Regular rate mail is further categorized into publications and controlled circulation publications, both of which the publisher must presort by ZIP Code. Changes in the controlled circulation category are now being considered by the Postal Rate Commission.

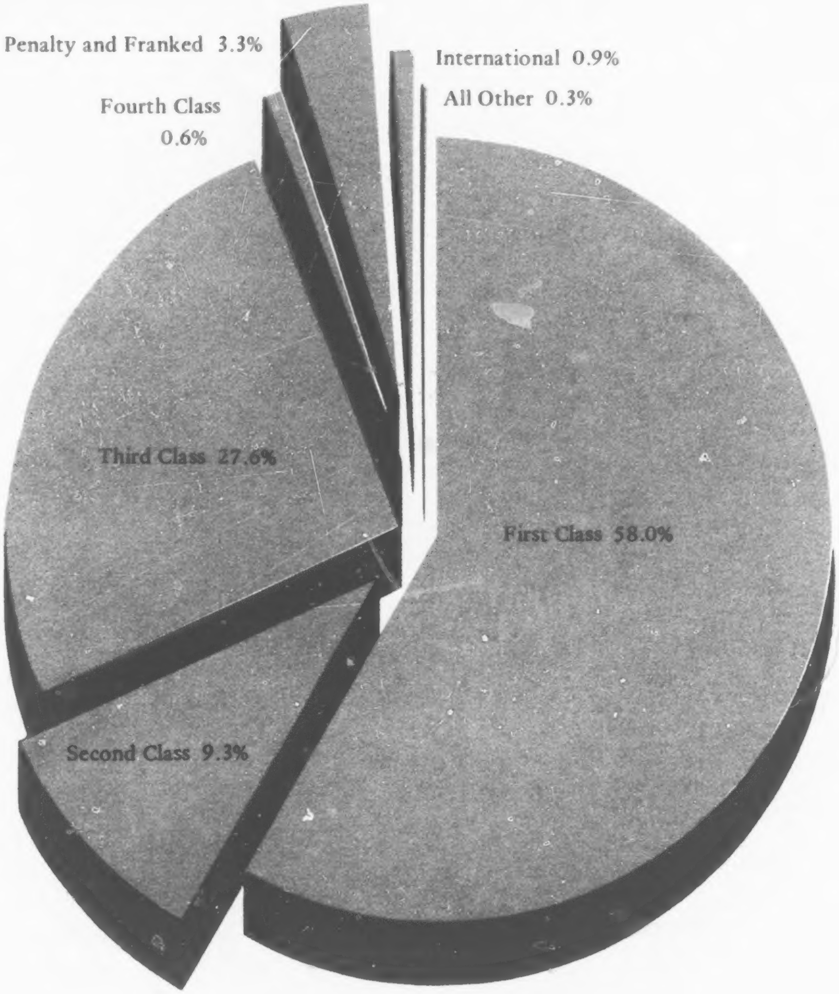
Third Class—All types of advertising and educational mail; consists of single piece, regular bulk and nonprofit mail. Approximately 95% of bulk rate regular is business to business mail (direct mail).

While direct mailers use several classes of mail *(See Section 4A for chart, Number of Pieces of Mail Attributable to Direct Mail)*, they primarily take advantage of the lower rates provided by the third class, regular bulk category. A $40 bulk mailing fee is required for each calendar year or portion thereof. In addition, a $30 application fee is required to mail permit imprint matter. Authorized nonprofit bulk mailers must also pay these fees. It is estimated that approximately 400,000 third class permits are currently held. (No actual figure is available because each of the 30,521 post offices may issue these permits and each maintains its own records of those to whom they are issued.) An estimated 90% of these permit holders have fewer than 100 employees and an estimated 50% have fewer than 9 employees.

- **The business mailer (or direct mailer) must ZIP Code, sort, bundle, tie, bag and personally deliver the sacks of mail to the post office. The business mailer performs up to half of the basic tasks normally performed by the Postal Service for first-class mail.**
- **At all post offices, no third-class mail is touched until all first-class mail has been handled.**

Fourth Class—Mailable matter which is not mailed at first- or second-class rates and weighs 16 oz. or more. There are special rates for books and records. Library rates fall under fourth class mail. One hundred

COMPOSITION OF MAIL – FISCAL YEAR 1979



Pieces of Mail
(in billions)

Mail Classification	Fiscal Year 1979	Fiscal Year 1978	Percent change
First Class	57.93	55.98	3.5
Second Class	9.25	9.45	– 2.2*
Third Class	27.51	26.33	4.5
Fourth Class	0.61	0.69	–11.2**
Penalty and Franked	3.30	3.29	0.1
International	0.95	0.92	4.6
All Other	0.28	0.25	10.6
Total Mail	99.83	96.91	3.0

**Controlled circulation publications gained 11.2 percent.*

***Within this class, parcel post decreased 18.4 percent.*

Reprinted from "Annual Report of the Postmaster General, Fiscal 1979 & Transition Quarter."

Brief History of Selected U.S. Postal Rates

E.D. = Effective Dates

Year	1st Class 1st oz.		Air Mail 1st oz.		3rd Cl. Single Piece 1st 2 ozs.	
	E.D.		E.D.		E.D.	
1960	8/1/58	4¢	8/1/58	7¢	8/1/58	3¢
1961		4¢		7¢		3¢
1962		4¢		7¢		3¢
1963	1/7/63	5¢	1/7/63	8¢	1/7/63	4¢
1964		5¢		8¢		4¢
1965		5¢		8¢		4¢
1966		5¢		8¢		4¢
1967		5¢		8¢		4¢
1968	1/7/68	6¢	1/7/68	10¢	1/7/68	6¢
1969		6¢		10¢		6¢
1970		6¢		10¢		6¢
1971	5/16/71	8¢	5/16/71	11¢	5/16/71	8¢
1972		8¢		11¢		8¢
1973		8¢		11¢		8¢
1974	3/2/74	10¢	3/2/74	13¢	3/2/74	10¢
1975	12/31/75	13¢	12/31/75	17¢	12/31/75	13¢
1976		13¢		17¢	7/18/76	14¢
1977		13¢	5/1/77 Domestic Air Mail Eliminated			14¢
1978	5/29/78	15¢			5/29/78	20¢

Year	3rd Class Regular Bulk Min. Per Piece		3rd Class Bulk Non Profit Min. Per Piece		Parcel Post (Local)		
						Per Pc.	Per. lb. 1-5
	E.D.		E.D.		E.D.		
	1/1/59	2¢	1/1/59	1¢			
1960	7/1/60	2.5¢	7/1/60	1.25¢	2/1/60	20¢	+ 2¢
1961		2.5¢		1.25¢		20¢	+ 2¢
1962		2.5¢		1.25¢		20¢	+ 2¢
1963	1/7/63	2.625¢		1.25¢		20¢	+ 2¢
1964	1/1/64	2.75¢		1.25¢	4/1/64	25¢	+ 2¢
1965	1/1/65	2.875¢		1.25¢		25¢	+ 2¢
1966		2.875¢		1.25¢		25¢	+ 2¢
1967		2.875¢		1.25¢	1/15/67	25¢	+ 2¢ + 10¢ to nearest 5 or 10¢
1968	1/7/68	3.6¢	1/7/68	1.4¢	10/19/68	45¢	+ 2¢ -- to nearest 5¢
1969	7/1/69	3.8/4.0¢*	7/1/69	1.6¢		45¢	+ 2¢
						1 lb. not more than 2 lbs.	
1970		3.8/4.0¢*		1.6¢	11/14/70	60¢	
1971	5/16/71	4.04/4.2¢*	5/16/71	1.7¢		60¢	
1972	3/12/72	5.0¢		1.7¢		60¢	
	7/6/72	4.85/5.0¢*					
1973		4.8/5.0¢*		1.7¢		60¢	
1974	3/2/74	6.1/6.3¢*	7/6/74	1.8¢	3/2/74	61¢	
1975	12/31/75	7.7/7.9¢*		1.8¢	9/14/75	67¢	
					12/31/75	77¢	
1976	7/6/76	7.7/7.9¢*	7/6/76	1.9¢		77¢	
	7/18/76	7.5/7.7¢*	7/18/76	2.0¢			
1977		7.5/7.7¢*	7/6/77	2.1¢		77¢	
1978	5/29/78	8.4¢	5/29/78	2.4¢	5/29/78	$1.15	
			7/6/78	2.7¢			
			7/6/79	3.1¢			
1979							
1980		8.4¢†	7/6/80	3.5¢††			

* = 1st 250M pieces per year at initial figure

** Editor's Note: Full *Domestic Mail Rate History* of all classifications, weights. discounts available is on file with DMMA Information Central.

† A 1.7¢ per piece discount for mail sorted to carrier route offered.

†† A .03¢ per piece discount for mail sorted to carrier route offered.

percent of the catalogs mailed via fourth class are direct mail. The Postal Rate Commission is now considering lower rates for bulk fourth and parcel post.

International Mail is divided into two general categories:

Postal Union Mail—Letters, letter packages, aerograms and post cards which fall under the subdivision of LC mail. AO mail includes printed matter for the blind and small packets. There is a weight limit of four pounds to all countries except Canada which has a 60-pound limit.

Parcel Post has different weight and dimensional limits. For detailed information, ask to see Publication 42, "International Mail," filed in your local post office.

Private Express Statutes

The origin of statutory restrictions on private delivery of letters developed in the days of absolute monarchs of Europe, who engaged carriers on a regular basis to transport official correspondence among the courts by using established way stations. It was common practice in Europe, prior to 1700, to grant monopolies for mail delivery. Between 1700 and 1740, most European countries assumed control of the existing private systems, to ensure that regular communications necessary for the transactions of government business were carried out efficiently.

In the United States, the Private Express Statutes marked the beginning of what was to become known as the United States Postal Service (USPS). These statutes were based on the restrictions of private mail delivery to ensure the creation of a stable, functioning postal system. Even after the postal system had developed and expanded to provide universal, inexpensive and prompt postal service, the Private Express Statutes remained, and private competition was restricted to perpetuate the "secure economic foundations of the United States Postal Service".

Restrictions on Delivery

Private Express Statutes restrict the delivery of letter correspondence directed to a particular individual at a given address. The correspondence must be delivered into the householder's or office's letterbox or mail slot by the USPS. If delivered by private carrier, postage must be affixed and cancelled. In other words, a private carrier may deliver but the sender must still pay the Postal Service's fees. And, the private carrier may not place any material into the letterbox or mail slot.

For many third-class mailers who are sending out non-addressed, promotional pieces, it is efficient and less costly to place their ads in a see-through envelope which hooks over the doorknob. It ensures delivery to the household without the expense of sending it through the USPS. This practice is commonly referred to as "doorknob delivery" and is an accepted practice that does not conflict with the restrictions of private delivery of letters.

Regulations to Know

There are numerous suspensions and exemptions to the Private Express Statutes and a significant body of regulations concerning them. Before private delivery of any material which could even remotely be considered a letter (e.g. data processing material), these regulations must be considered.

The general outline of the regulations is contained in section 112 of the Domestic Mail Manual (which replaced the old Postal Manual on August 30, 1979). Specific, detailed regulations are contained in the Code of Federal Regulations, 39 CFR Parts 310 and 320. The Postal Service also publishes *Questions Answered on Private Express Statutes*. Both the regulations and the pamphlet can be obtained from the Assistant General Counsel, Legal Affairs Division, U.S. Postal Service, Washington, D.C. 20260.

Recent rules have been adopted by the Postal Service designed to tighten and modernize the application of the statutes. Of particular interest to many direct marketers is the final rule adopted in August of 1980 which suspends the statutes for advertising circulars placed in parcels carried outside the mail. The Postal Service made a proposal in December, 1978 which would have severely restricted and probably destroyed—this important business. As a result of cogent arguments presented by the industry, however, the Postal Service decided that the proposed rule would be counter-productive, as would be the enforcement of existing laws restricting parcel inserts. Now, for the first time, there is no question about the legitimacy of this practice.

History of the Zip Code

On November 28, 1962, Postmaster General J. Edward Day announced plans for a new innovative system for mail sorting and distribution. The new system was to be called the *Zoning Improvement Plan*, commonly referred to as ZIP Code. The thrust behind this system was an effort by USPS to move from an antiquated manual system to a modern mechanized system which would provide both substantial cost savings and quicker mail delivery.

Public Acceptance Made It Successful

The new system went into action on July 1, 1963. Though initially introduced as a program to be utilized primarily by large volume mailers, the ZIP Code is now widely used by the general public. This phenomenon has been credited to the widespread public acceptance of the ZIP Code and the determination by USPS that *all mail*—business and personal—could be handled with greater speed and increased efficiency with the widespread use of the ZIP Code.

West Germany was also an inspiration for our ZIP Code, since they had instituted their program some years before ours came into being. The Germans, however, use a four-digit system which, in its first year of existence, was overwhelmingly received with over 80% of the mail being coded by the general public as well as the large mailers. Ours is a five-digit system that divides the country into geographical units.

The *first* digit indicates one of ten geographic areas; the *second* indicates a state or geographic portion of a heavily-populated state, or two less-populated states within the geographic area; the *third* digit indicates a major destination point within the state; and the *last two* digits represent either a postal delivery station of a large city post office, a smaller post office served from a sectional center, or a single office building receiving large volumes of mail.

In 1978, the Postal Service announced the beginning of the development of a nine digit Zip code which would allow sortation down to block face. The Postal Service is currently working with mail users and others to develop the new system. The implementation of the new ZIP code is, as of this writing, scheduled for February, 1981, though there is a possibility that implementation may be postponed. There have been assurances from the Postal Service that use of the nine digit ZIP code will be voluntary.

Selected Quotes In Support Of Direct Mail

The persistent charge that third-class mail does not support itself and is subsidized by the other classes is, in fact, not true. All of the recent Postmasters General have testified to the fact that it does pay its way.

> *"Direct Mail advertising is valuable business for the Postal Service. The revenue from this class of mail makes a large contribution towards the fixed costs of a delivery network that serves more than 70-million homes, farms and businesses. Without this volume, we would be forced to increase rates for letters and other classes of mail."*
>
> Postmaster General William F. Bolger
> DMMA Government Affairs Conference
> May 1978

> *"I have always looked upon your industry as a major contributor to our nation's gross national product."*
>
> Representative James M. Hanley
> Testifying before the Subcommittee on
> Postal Operations and Service on HR 7700
> July 19, 1977

Benjamin Bailar, then Postmaster General of the United States, told DMMA's Annual Conference attendees on October 11, 1976, in Atlanta, Georgia:

> *"I think the most time-consuming aspect of third-class rates is the question of public understanding of those rates. I've spent a great deal of time trying to get through to the public the fact that third-class mail does, in fact, pay its own way. It's cheaper to handle so the rates are cheaper. We don't forward it, we don't sell stamps. The mail is brought to the post office, it's ZIP Coded and it's sorted and so on. I'm, of course, concerned about the immediate public impression that third-class mail doesn't pay its way but more importantly, I think, is the spill-off on the rest of the postal rates. When the public buys postage for a first-class letter or for parcel post, it's important that they know that those rates are being set fairly and that they're not subsidizing some other class of mail which, as we know, they are not."*

In an earlier statement on May 2, 1975, PMG Bailar said:

> *"We need the (direct mail) volume and the revenue, too."*

> *"Third-class commercial mail now pays its attributable costs and contributes more than $450-million toward the institutional costs of the postal system—the maintenance of 40,000 postal facilities across the land. If more costs are attributed to subordinate classes of mail and volume continues to decline, either the burden on the first class mail user or on the taxpayer must increase."* (Report of the Commission on Postal Service, *Volume I, page 63, issued April 1977.)*

At the December 11, 1975, hearing conducted by the Privacy Protection Study Commission, Robert F. Jordan, then Director of the Office of Product Management for USPS, testified:

> *"... 16 cents out of every dollar earned by the Postal Service in the 1973 base year is traceable to the Direct Marketing Industry. Overall, the Postal Service earned 1-billion, 287-million dollars from services used by the industry that year. Of this amount, 793-million dollars was used to pay 100% of the attributable costs of the services we provided. The remaining 494-million dollars helped defray the institutional costs of maintaining the postal system.* Advertising mail not only pays its own way, but helps support the postal system for the use of other mailers." *(Emphasis supplied.)*

Services Provided By USPS

Customer Service Representative

Probably the most valuable service provided to mailers by the Postal Service is the Customer Service Representative, a consultant whose services are gratis for USPS' business customers.

The responsibilities of the customer service rep are varied. They include: helping a business set up its mailroom in the most efficient manner possible to insure a better flow of mail and advising businesses how to achieve the most economical mailing system—what type and size of metering machines are required for that particular usage, what size scales, letter opening machines, etc.

Upon request, seminars can be held in a business' offices to educate the company's staff on the different classes of mail available and the ways in which that company can take advantage of specialized services such as first class pre-sort. Forms and procedures are also explained.

To obtain the name of the customer service rep in your area, contact your local Post Office.

Special Mail Services

Express Mail was established in October, 1977. It provides high speed, high reliability service. Three basic types of services are available: (1) Same day airport service is available between designated airport mail facilities. The Postal Service will refund the postage for any item that is not available for claim by the time specified, unless the delay is stopped by strikes or other work stoppage. delayed or cancelled flights, or government action beyond the control of the Postal Service or air carriers. (2) A custom-designed service that is available only on a scheduled basis between designated mailable-matter offices, airport facilities and all other addresses within designated 3-digit ZIP Code delivery areas. (3) Next Day Service is available at certain retail postal facilities with overnight service to designated destination facilities or locations for items dropped by 5 p.m.

International Express Mail is similar to domestic Express Mail except there is no service guarantee. Further information can be found in the *Postal Manual,* Section 180, "Express Mail" and Section 494, "International Express Mail".

Mailgram is another form of fast next-day service. It is a joint offering of Western Union and USPS. A message may be entered by a telephone call to Western Union or by filing at a Western Union public office. The message goes through the Western Union computer system to the serving post offices and is delivered with the next business day's mail.

Free mail for the blind and other handicapped persons is available for blind persons or others who cannot use or read conventionally-printed material because of a physical impairment. These people must be certified by competent authority as being unable to read normal reading material. Again, for further information, consult your *Postal Manual,* Section 138.

Postal Service Publications

The U.S. Postal Service publishes a number of books, pamphlets, newsletters and other material which is of immense value to the direct mailer.

The "bible" for all mailers is the *Domestic Mail Manual.* The Domestic Mail Manual is a completely updated and rewritten version of the old Postal Manual. The Manual is available from the Government Printing Office (GPO) on an annual subscription basis. (*See Bibliography, Appendix VI, for further information on it and other USPS publications.*)

Some publications it is advisable to obtain include the following:

- Postal Contracting Manual
- International Mail (Publication #42)
- Instruction for Mailers
- Memo to Mailers
- Directory of Post Offices
- National ZIP Code Directory
- Postal Bulletin

In addition, the various postal regions issue regular bulletins which are free for the asking. Postal unions also publish monthly magazines that are available on a subscription basis.

B. Private Delivery

Alternate Delivery

Since the Postal Reorganization Act of 1970, postal rates have increased traumatically. Since that time, 1st class rates have risen 150%, 2nd class, an average of 404%, 3rd class bulk, 110%, and 4th class special rate, 450%. These increases have caused some mailers to search for alternative sources of delivery of their material.

Private Parcel Deliverers

Private parcel deliverers handle more than half the nation's parcel shipments. The most familiar of the private parcel deliverers is probably the United Parcel Service (UPS), which has steadily gained business over the years. In 1959, the U.S. Postal Service was delivering 900-million packages while UPS delivered 100-million. In 1979, the Postal Service delivered approximately 204 million parcel post packages compared to 1.437 billion delivered by UPS. Additional private parcel deliverers would include air freight shippers such as Federal Express and Emery; ground transportation, such as bus lines and trucking firms as well as the inter/intra city couriers.

Estimated Private Delivery Systems Statistics

	1976	1977
Estimated revenues (all companies):	$1 billion+	$1 billion+
Estimated number of pieces of advertising delivered (all companies):	8-10 billion pieces	10-12 billion pieces
Estimated number of private postal systems:	5,000-10,000	5,000-7,000

Publishers Move to Alternate Delivery

During the early 1970s, a number of large publishers began testing alternate methods of delivering their magazines and newspapers at reduced costs. Meredith Corporation, a forerunner in alternate delivery utilization, estimates that they are presently saving 5¢ a copy on their delivery of *Better Homes and Gardens*. The private delivery system saves 3¢ on postage plus an additional 2¢ by eliminating the necessity of the company mailroom. Meredith forecasts that 60% of their magazine's circulation will someday be handled by private delivery.

Another example of postal increases is that experienced by the book mailers. The average two-pound book shipment, which cost 18¢ to mail in 1970 was raised to 81¢ in July 1979—a whopping 350% increase. Concerned with these exorbitant increases, Doubleday has been experimenting with alternate delivery systems since 1972. They, too, are expanding their usage of these delivery services.

The Wall Street Journal now uses private distributors in 88 cities.

Private Delivery Offers New Options

Besides the estimated postal savings that are realized by using alternate delivery, a whole new field of marketing capabilities is being considered. Carrier profits could increase by piggybacking local ads on magazine delivery. Their increase in income through the ads would contribute to holding the line on rates, saving publishers additional dollars. Lower costs may also be obtained through greater penetration by the carrier delivering more than one magazine per address. This type of merging would enable smaller magazines to also use alternate delivery.

Private delivery systems are expanding their numbers; hence, giving merit to the fact that this new industry is taking its place as a viable alternative to the United States Postal Service.

For instance, in 1979 the National Association of Selective Distributors consisted of 70 members delivering over 1,216,000 pieces monthly into 270 ZIP codes. In 1980, NASD had 76 members delivering into 1,600 ZIP codes. In an average month they delivered 5,867,000 magazines and 3,500,000 selected pieces of advertising in 1980. Individuals interested in contacting the National Association of Selective Distributors may do so by addressing correspondence to 1050 Turnpike Street, Canton, Mass. 02021.

8

Fulfillment and Customer Service*

After the customer's order is received, the merchandise or publication must be delivered *promptly, completely* and in *good condition*. Providing customer satisfaction in this area is called FULFILLMENT.

Fulfillment Defined

Fulfillment consists of the policies, procedures, people, paper and productivity that are involved in the full circle of handling an order from:

- *addressing* the mailing piece from the customer list; and
- *processing* the orders initiated by mail or telephone; to
- *resolving* any problems after the order has been shipped.

Fulfillment comprises eight separate operating elements:

1. List maintenance and addressing
2. Ordering tools and techniques
3. Receiving mail and telephone calls
4. Processing orders
5. Extending credit
6. Maintaining inventory
7. Order filling and shipping
8. Handling returns, complaints and adjustments

Why It Is Important

Fulfillment is very important in the operation of a direct response marketing venture for these reasons:

To make the order stick. If it takes weeks for the customer to receive the item, it may no longer be of interest. Tests have shown that fulfillment can impact conversion rates from 20% to 40%.

To keep the customer happy. A successful direct marketing business is built on repeat orders, and only a satisfied customer will order again.

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*From *Keep Your Customers And Keep Them Happy—How To Turn Complaints Into Compliments*, published by Dow Jones–Irwin; and "Giving Service To Mail Order Customers," a chapter in *Direct Mail Advertising And Selling For Retailers*, published by National Retail Merchants Association, 1978; both written by Stanley J. Fenvessy.

To increase profitability. Fulfillment costs—including credit and delivery—can amount to as much as 25% of net sales in some ventures. These are costs that can drastically affect the bottom line.

To avoid consumerism problems. A majority of the complaints investigated by the FTC, BBB, State Attorneys General, and Action Line columnists involve fulfillment. Efficiency in fulfillment will keep these agencies and consumer advocates away from your door.

Standards

The following general statistical benchmarks are used by direct marketers to evaluate and/or compare their fulfillment operations.

Turnaround time on orders. Customers should receive their orders *not more than* 20 calendar days from the time they mail their orders; less if they phone. The "stars" of the industry all deliver within 14 days.

Response time on written inquiries or complaints. A customer should receive a response during the calendar week following the week the letter was mailed. This means that, at most, two to three days can be taken to read, research and respond to the letter after it is received.

In-stock condition. If more than 3% of your total items have to be back ordered, you have a problem. The only exception could be a fashion line and then a goal of 10% should be set.

Ratio between orders and customer contacts. Well-run general merchandise, mail order businesses receive four customer communications for each 100 orders processed. In the low-price gift business, the ratio is smaller; fashion or high ticket/promotional merchandise can raise it to 10%.

Unit cost for total fulfillment service. This depends to some degree on the dollar size of the order. Most mail order businesses, however, fulfill for less than $1.50 excluding packing supplies, shipping charges and credit costs.

In well-run customer service functions, the ratio of clerks (mail readers, adjusters, typists, filers, etc.) to the number of contacts made is: one clerk to 6 to 8 contacts per hour.

Package delivery. A DMMA survey of catalog companies showed that 97% of those responding use United Parcel Service (UPS) to ship 90% of their packages. Parcel Post is principally used for parcels too large, or for those destinations not handled by UPS.

Credit cards. Orders charged to bank and T&E credit cards average 35% to 50% larger than cash orders. Moreover, the ratios on returns and adjustments are lower. Many firms receive 40% of their volume from credit cards which carry service costs ranging from 2½% to 5%.

How To Avoid Problems

Besides providing your fulfillment function with sufficient space, up-to-date processing and materials handling systems and equipment and competent supervision, you should consider these basic criteria:

Do not promise service you can't deliver. Measure service from the customer's standpoint—from the time he or she mails the order or telephones it in until the package will actually be received.

Do not abuse the back order privilege. Adhere rigidly to the FTC's 30-Day Rule which requires that you send a card giving the customer the option to cancel. Acknowledge the status of back orders every three weeks.

Test your own service (and that of your competitors). Install effective internal quality control procedures. Also, maintain a regular and continuing program of test ordering. Participants for such a program are available from the DMMA's *Mail Monitor Service* (available to DMMA members only).

Accumulate data concerning the nature and extent of customer calls and complaints. This will provide valuable information concerning weaknesses in deliveries, deteriorating merchandise quality, confusing sales offers, poor packaging, computer and order-filling errors and other areas which obviously need improving.

Keep your operations people up-to-date. Send them to DMMA educational sessions. Exchange visits with others in the industry with problems similar to yours. Subscribe to and consult pertinent trade magazines and books. Encourage attendance at technical shows and professional meetings.

9

Credit and Collections

The real beginning of the credit card era began when the first oil companies started issuing credit cards back in the 1940s. BankAmericard was the original bank card. It started as a credit card issued by the Bank of America, the largest bank in the United States.

Active use of travel and entertainment (T&E) cards by direct response marketers started in 1958 when Diners Club launched its Executive Shopping Service. It offered its members an opportunity to purchase a complete Bell & Howell camera outfit to be charged to their account. This Bell & Howell offer is now one of the landmark campaigns in direct response marketing because it opened the door to mass selling of merchandise in the $70 and up bracket.

The growth of private and commercial credit cards has been likened to a credit card explosion and the impact on direct response marketing has been dramatic.

Note: All statistics have been furnished by the Nilson Report.

The 14 Major Types of Consumer Cards

and the 30 cards some people will be carrying in the 80's

	Type of Card	Primary Use	Issued by	Cards per Person
1.	BANK TRANSACTION CARD	To activate point-of-sale terminals with debit/credit features	Financial institutions	2
2.	BANK CREDIT CARD	For billing convenience and revolving credit worldwide	Financial institutions	3
3.	BANK DEBIT CARD	For automated banking machines (ATMs) during non-banking hours	Financial institutions	2
4.	ASSET CARD	To access funds deposited with brokerage and investment firms	Financial institutions	2
5.	CASH CARD	To operate machines dispensing currency or travelers cheques	Financial institutions	1
6.	CHECK CARD	To guarantee cashing of personal checks	Third party companies	2

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The 14 Major Types of Consumer Cards (Continued)

and the 30 cards some people will be carrying in the 80's

	Type of Card	Primary Use	Issued by	Cards per Person
7.	RETAIL CARD	For revolving credit at local department stores and shops	Department stores	4
8.	T&E CARD	For prestige, billing convenience and unlimited credit worldwide	Third party companies	2
9.	OIL COMPANY CARD	For petroleum products and for automated gas vending	Petroleum companies	3
10.	AIRLINE CARD	For VIP airport services and travel on credit	Air carriers	2
11.	AUTO RENTAL CARD	For VIP services and preferential rates	Rent-a-car companies	2
12.	CASH DISCOUNT CARD	To qualify for savings in return for payment in cash	Third party companies	1
13.	COMMUNICATIONS CARD	To facilitate telephone calls on credit away from home	Telephone companies	1
14.	ACCESS CONTROL CARD	To gain admittance to restricted facilities	Any of above	3
				30

Other card issuers not included: Hotels, Motels, Restaurants, Auto Clubs, Drivers licenses, Health care, Transportation, Libraries, Unions, Fraternal Clubs, etc.

Cards Worldwide

(Millions)

	Europe	U.S.	Canada	Other	Total	Change
1950	2.1	230.0	2.5	1.8	236.4	–
1955	7.5	260.0	4.2	3.6	275.3	16%
1960	9.0	308.0	6.0	8.0	331.0	20%
1965	16.0	360.0	9.0	14.0	399.0	21%
1970	22.0	420.0	13.0	27.0	482.0	21%
1975	31.0	490.0	22.0	43.0	586.0	22%
1980	73.0	577.0	43.0	50.0	743.0	27%
1985	78.0	700.0	47.0	60.0	885.0	19%

Credit Cards in the U.S. – 1979

Card Issuers	Cards (Plastic)		Charge Volume		Card Holders	Charged per Person	Market Potential	Market Saturation	Cards per Person
	Millions	Percent	$Billions	Percent	Millions	Dollars	Millions	Percent	
RETAILERS	272.7	50.3%	$ 42.9	29.6%	8[illegible]	$ 529.62	97	83.5%	3.4
BANK	123.2	22.7%	55.6	38.3%	63	882.54	74	85.1%	2.0
OIL	119.0	22.0%	21.4	14.8%	68	314.71	88	77.3%	1.7
T&E	10.5	1.9%	13.4	9.2%	9	1,675.00	10	90.0%	1.2
OTHER	17.0	3.1%	11.7	8.1%	12	975.00	22	54.5%	1.4
TOTALS	542.4	100.0%	$145.0	100.0%	*88	$ 875.37	*106	*83.0%	6.2

Note: *These statistics are based on new data as of June 1980 and supercede all figures previously published.*

*Non-duplicated totals.

Cards in Europe – 1979

Country	Total	Eurocheque Card	Visa	Interbank	Amexco	Diners	Eurocard	Other
Great Britain	25,950,000	7,638,000	5,000,000	4,750,000	500,000	227,000	–	7,835,000
Germany	14,181,000	13,000,000	–	–	130,000	150,000	103,300	797,700
France	12,260,500	2,600,000	1,154,000	4,000	170,000	124,000	20,000	8,138,500
Spain	7,011,000	11,000	1,500,000	500,000	25,000	83,000	95,000	4,797,000
Sweden	4,142,800	–	60,000	50,000	21,000	4,800	86,000	3,921,000
Benelux	2,417,000	2,057,000	–	–	22,000	62,000	6,000	270,000
Italy	1,497,000	521,000	530,000	150,000	40,000	51 500	65,000	139,500
Netherlands	1,494,000	1,214,000	–	–	21,000	41,000	5,500	212,500
Switzerland	605,000	430,000	17,000	–	50,000	44,600	12,000	51,400
Ireland	581,700	572,000	–	–	4,100	1,900	–	3,700
Austria	527,000	475,000	–	–	600	45,000	200	6,200
Denmark	415,000	65,000	–	–	7,000	23,000	10,500	309,500
Greece	109,000	–	21,000	45,000	4,000	27,000	–	12,000
Israel	95,000	–	25,000	10,000	3,800	24,000	5,500	26,700
Norway	80,000	–	9,000	–	4,500	5,000	12,000	49,500
Portugal	66,000	–	19,000	24,000	–	–	400	22,600
Yugoslavia	62,000	–	–	–	12,000	26,000	3,000	21,000
Finland	35,000	10,000	–	–	2,000	200	7,600	15,200
Turkey	9,000	–	–	–	–	–	3,000	6,000
Andora	2,000	2,000	–	–	–	–	–	–
TOTAL	71,540,000	28,595,000	8,335,000	5,533,000	1,017,000	940,000	435,000	26,685,000

Note: *Includes credit cards, debit cards, check guarantee cards, cash vending cards, cash discount cards.*

Travel & Entertainment Cards

The Big Three in today's T&E card field are American Express, Carte Blanche and Diners Dlub. The T&E cards all have annual fees. The outstanding balance is due and payable each month. Personal spending and payment patterns determine how much a cardholder can charge.

T & E Cards Worldwide

		1975	1980	1985
	Amexco	6,500,000	10,283,000	7,700,000 (1)
	Diners	2,805,000	3,000,000	2,000,000 (2)
	Eurocard	153,900	664,400	1,457,000 (3)
	Carte Blanche	748,000	800,000	1,400,000 (4)
	TOTALS	10,206,900	14,747,400	12,757,000
U.S.	Amexco	5,800,000	8,200,000	5,500,000 (1)
	Carte Blanche	695,000	750,000	1,100,000 (2)
	Diners	1,395,000	1,500,000	300,000 (3)
EUROPE	Eurocard	153,900	664,400	1,457,000 (1)
	Amexco	300,000	1,100,000	1,300,000 (2)
	Diners	800,000	1,000,000	1,200,000 (3)
	Carte Blanche	–	–	100,000 (4)
OTHER	Amexco	400,000	983,000	900,000 (1)
	Diners	605,000	500,000	500,000 (2)
	Carte Blanche	53,000	50,000	200,000 (3)

Amexco includes 900,000 Gold Cards issued for banks.
Diners includes 500,000 cards issued for American Oil and Sun Oil.

ESTIMATED U.S. MAIL ORDER MERCHANDISE GROSS SALES BY T&E CARDS, 1979: $2.7 billion

(Based on a conservative estimate of 20% of all sales attributable to mail order.)

Bank Cards

Bank cards offer revolving credit with the option of repaying the outstanding balance in monthly installments. Interest is charged on the balance. Most bank cards are issued free; a dollar limit on charging is imposed.

There is no monolithic VISA or MasterCard card issuer. Instead, each of the hundreds of banks which issue cards sets its own fees and makes its own rules. One bank might offer a VISA card free and charge 18% interest (the typical national rate) on outstanding balances; another bank's card might carry a $6 annual fee and a 12% interest rate. And different banks use different methods to compute finance charges, so even when the annual percentage rate—the APR—is the same, the dollar cost can vary significantly.

Not all bank cards are issued by banks. Savings and loan associations and credit unions also offer credit cards, with their own assortment of rules.

The major bank cards are MasterCard and VISA. Individual banks are fast entering the field. One such is Citicorp which owns First National City Bank in New York and issues Citicard.

U.S. Bank Card Operations in 1979 – MasterCard and VISA

MASTERCARD	**1978**	**1979**	**Change**
Participating banks	11,061	11,921	7.78%
Banking offices	31,180	34,874	11.85%
Merchant outlets	1,974,097	2,125,065	7.64%
Active accounts (Billed monthly)	23,702,051	25,214,691	6.37%
Total accounts	34,859,304	37,079,973	6.37%
Cardholders (People)	40,300,000	52,900,000	31.27%
Cards (Plastic)	55,460,776	59,608,869	7.48%
Outstanding (Balances owed)	$10,654,212,132	$12,114,551,462	13.70%
Charge Vol. (Saleslips only)	$20,373,049,073	$25,286,736,826	24.10%
Charge Vol. (Incl. cash adv.)	$22,385,584,245	$27,692,123,436	23.70%

Accounts active monthly averaged 69.0% and 25.4 million (64.1%) of these had outstanding balances of $480.46. Transactions (saleslips) averaged $33.14 (up $2.93) and cash advances averaged $153.78 (up $23.42).

VISA			
Participating banks	10,836	11,384	5.1%
Banking offices	36,810	39,942	8.5%
Merchant outlets	1,957,400	1,939,300	.9%
Active accounts (Billed monthly)	23,274,000	26,490,000	13.8%
Total accounts	35,999,000	41,037,600	14.0%
Cardholders (People)	41,200,000	55,800,000	35.4%
Cards (Plastic)	55,799,000	63,608,000	14.0%
Outstanding (Balances owed)	$10,347,422,000	$13,128,548,000	26.9%
Charge Vol. (Saleslip only)	$19,813,700,000	$25,274,541,000	27.6%
Charge Vol. (Incl. cash adv.)	$22,078,715,000	$27,872,619,000	26.2%

Accounts active monthly averaged 68.5% and 26.5 million (64.6%) of these had outstanding balances of $501.39. Transactions (saleslips) averaged $34.89 (up $3.65) and cash advances averaged $150.60 (up $10.07).

Outside U.S. 1979	**MasterCard**	**Visa**	**Total**
Merchant outlets	1,197,007	1,000,700	1,201,000
Total accounts	12,654,000	15,936,200	28,590,201
Cardholders	14,374,300	18,300,000	31,670,000
Cards	16,197,367	20,496,000	36,693,367
Outstanding	$2,397,640,000	$ 3,117,925,000	$ 5,515,565,000
Gross Volume	$7,671,000,000	$10,152,405,000	$17,823,405,000

ESTIMATED U.S. MAIL ORDER MERCHANDISE GROSS SALES BY BANK CARDS, 1979:$8.3 billion

(Based on a conservative estimate of 15% of all sales attributable to mail order.)

Oil Companies' Cards

The oil companies which helped start the trend, rapidly lost their competitive edge as not only their immediate competitors began issuing credit cards but so did others. New ways had to be found to activate their own particular credit cards' use and mail order merchandise was one that many of them selected.

22 Largest Oil Company Credit Card Issuers – 1979

OIL COMPANY CREDIT CARD SALES								
Card Rank	Total Cards	Total Accounts	Accounts Billed Monthly	Volume on Company Cards	Bank Card Sales	T&E Card Sales	Total Credit Sales	†Branded Retail Outlets
(brand)	(millions)	(millions)	(millions)	($millions)	($millions)	($millions)	($millions)	(locations)
*1 TEXACO	17.70	8.50	4.80	$ 3,061	–	–	$ 3,061	25,631
2 EXXON	11.70	6.50	4.00	2,400	–	–	2,400	23,672
3 AMOCO	11.02	6.50	3.40	2,400	–	–	2,400	21,251
4 GULF	11.01	5.20	2.30	1,500	–	–	1,500	17,003
5 MOBIL	10.90	5.50	3.00	1,840	–	–	1,840	17,747
6 SHELL	10.50	6.00	3.50	1,900	$220	–	2,120	17,137
7 CHEVRON	8.10	4.50	2.70	1,700	350	–	2,056	14,689
8 ARCO	6.85	3.60	1.95	1,100	–	–	1,100	8,312
9 UNION	6.20	3.40	1.85	1,700	240	–	1,940	12,197
10 SUNOCO/DX	5.40	5.00	1.00	500	100	$25	675	10,784
11 PHILLIPS	5.00	2.80	1.00	670	100	6	776	10,080
12 SOHIO	2.82	1.49	.80	660	–	–	660	4,410
13 CONOCO	1.95	1.20	.40	185	–	–	185	4,341
*14 CITCO	1.80	.82	.44	210	110	–	320	5,178
15 GETTY	1.45	.78	.40	190	100	18	308	5,038
16 MARATHON	1.00	.60	.18	136	–	–	136	1,851
17 FINA	.78	.44	.18	130	65	–	195	4,144
*18 DIAMOND	.77	.49	.19	120	24	9	153	1,454
*19 KERR-McGEE	.50	.21	.09	73	15	–	88	1,595
20 CLARK	.25	.13	.08	60	–	–	60	1,800
21 ASHLAND	.18	.09	.05	35	45	–	80	2,125
22 TENNACO	.12	.05	.02	30	–	–	30	489
Other	3.00	1.60	.90	800	125	25	950	8,000
TOTALS	119.00	65.40	32.23	$21,400	$1,494	$83	$23,033	218,928

*Estimates not verified.

†Outlets include hotels, airports, industrial firms, garages, and other outlets where petroleum sales are less than 50% of revenues. The Census Bureau figure of 153,200 service stations for 1979 reports only outlets having at least 50% of sales from petroleum products.

Oil Company Credit Card Trends — 1978 - 1985

	1978	1979	1980	1981	1982	1983	1984	1985
CARDHOLDERS								
People owning cards	75.0	68.0	68.7	78.7	96.4	100.0	103.6	107.1
CARDS								
Total (millions)	125.7	119.0	110.0	118.0	135.0	140.0	145.0	150.0
Avg. per person	1.7	1.7	1.6	1.5	1.4	1.4	1.4	1.4
TRANSACTIONS								
Total annually (billions)	2.6	1.7	1.5	1.7	1.8	1.8	1.8	2.0
Avg. gallons per sale	10.0	12.3	11.7	11.2	10.5	10.0	9.6	9.0
Avg. price per gallon	$0.70	$1.00	$1.35	$1.65	$2.00	$2.50	$2.85	$3.05
Avg. sale (transaction)	$7.00	$12.30	$15.80	$18.48	$21.00	$25.00	$27.36	$27.45
CHARGE VOLUME								
Total annually ($billions)	$18.0	$21.4	$23.9	$30.8	$37.0	$44.4	$50.6	$54.1
Avg. monthly statement	$21.64	$44.58	$49.72	$68.79	$77.04	$92.45	$105.38	$112.78
PUMP LOCATIONS								
Total outlets	235,721	218,928	212,000	196,000	190,000	185,000	180,000	170,000

ESTIMATED MAIL ORDER MERCHANDISE GROSS SALES BY OIL COMPANY CREDIT CARDS, 1979: $535 million
(Based on a conservative estimate of 2.5% of all sales attributable to mail order.)

Retail Stores

Retail stores which had long had in-house credit for their customers were quick in issuing credit cards to represent the credit lines they had extended and some even began to accept the bank and/or travel cards as well. The trend appears to be a steadily rising acceptance of other cards by retailers. It is possible that the banks will offer 0% discount as an inducement to have bank cards honored in retail stores. Recently, banks have progressed with more and more retailers getting away from their own credit card operations due to high costs.

Retail Credit Card Facts

- In 1979 retail stores issued 50.3% of all credit cards in the U.S., or 291-million
- Sears, Penney and Montgomery-Ward combined have 30% of all the retail cards in the world
- In-house credit represents as much as 75% of total sales, with the average for most merchants exceeding 50%
- Retail credit plans are not generally operated as profit centers, but instead to increase sales

Miscellaneous Credit Card Facts/Figures

- 20% of total direct response sales are charged on a credit card
- Catalog sales run, on the average, 25%-50% larger when credit cards are offered
- Total credit cardholders, worldwide, are estimated at 743,000,000
- 63% of all Americans carry credit cards to use in making purchases
- An estimated 50%-60% of all merchants honoring a bank card accept both MasterCard and VISA
- 67% of all bank and T&E cardholders charge something at least once a month
- Bank card issuers offer discounts to merchants as low as 1-3/4% in highly competitive markets
- T&E's charge merchants a minimum of 3.5%, average 5.5% across the board

Bad Debt and Debt Collection

There are over 60 major categories of mail fraud in the U.S., all of which are known to the Postal Service's Inspection Service (the investigative/enforcement arm of USPS). One of the fastest growing categories of fraud is that of consumers attempting to bilk businesses by ordering merchandise with no intention of paying—known as deadbeats.

The 1976 estimate of the number of deadbeats, delinquents and slow payers in the U.S. was 9-10 million. The estimate for 1977 was over 10-million.

Credit card fraud (for all cards) is estimated at $400-million a year and increasing.

Direct response marketers, like all merchandisers, attempt to screen prospect and customer lists to omit those individuals known to be deadbeats. However, the federal laws governing credit curtail to what extent screening and maintenance of these lists may be done. (See *Fair Credit Act in Section 13.)*

AVERAGE CREDIT CARD DEBTS

Turnovers to Collection Agencies

Travel and Entertainment	$1,100
Bank	950
Oil Company	700
Retail Store	285
Airline (Passenger)	225
Average	$ 652

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The Bottom Line

A. Financial Planning & Analysis

The fact that virtually every aspect of a direct response marketing program can be quantified or counted makes it possible to determine success in very specific ways. Where possible, direct marketers try to evaluate their efforts in terms of profit. Where this is not possible, they look at indices such as *cost per order* or *cost per inquiry*.

Profitability in direct response marketing is a function of the interrelationships between:

- Promotional cost (the direct marketer's selling cost)
- Contribution to promotional cost and profit
- Response

Promotional Cost

Promotional cost incorporates the total variable cost of distributing the offer. Where a mailing is involved, this amount includes printing, lists, postage, lettershop, etc.

This cost is usually expressed in terms of the cost of reaching 1,000 persons. It varies greatly with the particular medium being used. For example, a small advertisement in a magazine may cost less than $1 per thousand, whereas a package insert or cooperative mailing may cost $25 to $45 per thousand, and a catalog or brochure sent by third class mail may cost $150 to $500 or more per thousand.

Start-up programs, or tests, which usually are run on a small scale will incur higher costs-per-thousand in almost any medium. When small-scale programs are used, it is important to evaluate the results on the basis of the costs that would be incurred if the program were expanded to a volume commensurate with the level of acceptable risk and available funds.

One-time costs of creation and production should be recognized as a budget item, but it is usually best to consider them separately from the variable promotional costs.

Contribution to Profit

Contribution to profit and marketing is the amount of money available from each sale or average order after *all costs* of merchandise, operations, administration and overhead are subtracted from net sales. Note that promotional costs are *not included* when determining contribution.

The calculation of contribution must be very careful and thorough. Every applicable cost should be included. It is advisable to use a prepared form as a checklist to assure that all potential cost centers are considered. Frequencies with which costs such as those associated with returns, credit sales, bad debts, etc., should be accurately determined so that their cost is properly allocated to the units that stay sold, or to net revenues. In other words, if 100 orders are shipped and seven are then returned, the costs of processing all 100 orders together with all costs and losses associated with the seven returns must be borne by the 93 orders that were sold, that is, by the net sales.

Response

When we know the cost per 1,000 and the contribution, we can determine the response rate at which we break-even (e.g., recapture promotional costs). We can also determine profit or loss results at other response rates. The following examples show the calculation of break-even.

Calculation of Break-Even Point in a Direct Mail Program

Average selling price	$ 107.22	
Total costs (excluding promotional cost)	71.65	
Contribution to promotional cost and profit	$ 35.57	
If total cost-per-thousand in the mail is	$ 250.00	$ 185.00
and that amount is divided by the contribution of	35.57	35.57
then required orders per thousand to break even equals	7.0	5.2
which is equivalent to a net response % of	0.7 %	0.5 %

If actual orders (net after returns) in the examples cited above were 1%, or ten orders per thousand pieces mailed, the profit could be calculated as follows:

Net sales per thousand (10 X $107.22)	$1072.20	$1072.20
Actual net orders per thousand	10.0	10.0
Less required orders per thousand to break even	7.0	5.2
Orders in excess of break-even	3.0	4.8
Times contribution to promotional cost & profit	$ 35.57	$ 35.57
Pre-tax profit per thousand	$ 106.11	$ 170.74
Pre-tax profit as % of sales	9.9 %	15.9 %

It can be readily seen that, as the value of the average order rises and the average contribution per sale rises along with it, the number of orders needed to break even drops. Thus, an item carrying a $5 contribution would require 37 net sales, or 3.74% response to break even with a promotional cost of $185 per thousand, while an item with a $50 contribution would require only 3.7 net sales or 0.37% to break even.

Other Programs

The same approach of relating contribution and response to promotional cost may be applied to other types of programs.

Where, for example, inquiries are sought and then converted to sales, the cost of producing 1000 inquiries is added to the promotional cost. Thus, if a $3000 advertisement produces 1000 inquiries, this is equivalent to increasing the promotional cost of the conversion mailing by $3000 per thousand to reflect the cost of acquiring the inquiry list. Since the conversion mailing would cost about $3200 per thousand, its break-even would rise to about 90 sales or 9% conversion rate.

When a series or continuity program is involved, it is advisable to calculate separately the contribution associated with each shipment in the series. Weighting each of these individual contributions by the number of each kind of shipment typically made to each starter and then adding these weighted contributions together, will determine the average contribution per starter. This average contribution can then be compared to the cost of acquiring starters to assess profitability.

When thinking about a direct marketing program, therefore, do not ask: "What is a typical response to a mailing?" Instead, determine how many orders you need in order to make your targeted profit.

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The New Technology

Few people would challenge the notion that we are entering an era of profound change in communications. Newspaper, magazine and book publishers are uneasy about this rapidly developing technology, even as they themselves experiment with some of these new forms. The postal services of the world are being told their years are numbered, even as they watch mail volumes rise, although not in line with the growth of total communications volume. Printers fret that their industry may become obsolete by the home computer and two-way interactive television systems. They see lasers and satellites transmitting information in microseconds, while costs rise in shipping paper in an unreliable timeframe.

Thoughtful people wonder about our institutions as the public is provided the tools of access to just that information with which they wish to fill their time. Direct mail advertisers question how these alternatives will affect their ability to reach precise audiences with the right message at the right time with letters, catalogs and brochures.

Those retailers who today lean heavily on mail order methods for a high percentage of sales wonder how these new systems will permit them to conduct a national business serving a specific group of consumers. The questions are all the same. What will the world of communication be like when we are shipping signals rather than paper?

Cornerstone of the new technology is the computer and the advances being made toward equipment miniaturization. Equipment that once required a large air-conditioned room has been reduced to little more than a desk-top configuration of terminals and printers. The cost of providing storage for data has plummeted and continues to do so as manufacturers come on-line with chips and bubble memories. Thus, the ability to store vast amounts of information, keep it up-to-date, provide retrievable access to such information and then transport it at lightning speeds on demand is spawning new relationships.

A. Electronic Funds Transfer

Electronic Funds Transfer (EFT) is a complex subject involving many different industries as well as different technologies, laws, regulations and markets. However, the primary impact of EFT is upon the industries of retailing and banking, and upon the consumer.

What is EFT? The payment system in the United States makes use of three major types of media. Coin and paper currency are the nation's official money and they are universally acceptable as legal tender. The predominant role of cash is for transactions involving small dollar values.

Checks and other paper drafts drawn on demand deposit accounts held by financial institutions represent the second major payment medium. Over 30 billion of these paper documents are processed annually by the Federal Reserve System.

The most recent method of exchanging value within our economic system is by electronic funds transfer, that is, the use of electronic impulses as a medium of exchange.

EFT is a group of innovative methods of gathering and processing transaction-related data. Collectively, these methods constitute an alternative payments system in which the processing and communications necessary to effect economic exchange are dependent wholly or partially on the use of electronics. As a generic term, electronic funds transfer has come to include financial activities which are facilitated by means of electronics, such as the authorization of check or credit card transactions, the capture of transaction data at the retail point-of-sale and similar operations. It is this category, sometimes called "near-EFT," which includes on-line bank credit card authorization.

Range of EFT Activity

EFT markets consider the following three categories of transactions as representing the full range of EFT activity.

1) *Authorization of paper-based transactions:*
   The first category includes all transactions in which a check or bank credit card draft is processed through the banking system in the traditional manner although legitimacy of the item has been authorized and/or payment on the item has been guaranteed at the point of origin by means of electronics.
2) *Data capture and truncation of paper-flow:*
   This category consists of transactions in which paper items, such as debit or credit card sales drafts, are generated at the point of sale for audit purposes, but the initial confirmation of balance or authorization of credit has been conducted electronically and the transaction has been posted electronically. The paper drafts are retained for memo file purposes only.
3) *Paperless funds transfer:*
   This third category, which might be described as full EFT, refers to operations in which financial transactions are made, stored and audited by methods which are wholly reliant on electronics and are independent of all paper-flow processes.

In summary, EFT is the electronic authorization of paper-based transactions or the actual electronic transfer of money.

Although EFT cannot be expected to revolutionize economic exchange nor to supplant existing payment methods totally, it is expected by many experts to evolve into the dominant payment method within the next decade. For example, Arthur D. Little, Inc., Cambridge, MA, the noted research and consulting firm, has estimated that EFT transactions will represent 17 percent of all transactions by 1980 and 70 percent of all transactions by 1990.

Consumer Convenience Stimulates Growth

The initial impetus behind the development of EFT was an effort by the banking industry to reduce the ever-increasing volume of paper items and related processing costs. Today, EFT services are marketed because they represent an opportunity for bankers and merchants to provide payment services which are convenient for consumers to use while being highly efficient to operate. The convenience of EFT services encourages the growth of deposits at banks and an increase in the number of shoppers which patronize the stores where EFT services are offered.

By using EFT, a consumer can authorize his financial organization to pay a recurring obligation, such as a utility bill, a mortgage payment or an insurance premium. This relieves the consumer of the inconvenience and cost of paying bills by check. The recipient company and the financial organization also enjoy reduced costs in processing the transaction. A variation on this service, called telephone bill-payment systems, allows consumers to initiate a payment from his home telephone in variable amounts. These systems have proven to be very popular with consumers.

Similarly, EFT allows a consumer to receive payments automatically. These recurring payments are facilitated by a network of automated clearing houses as established by the Federal Reserve System. Consumers find that the payments eliminate unnecessary delays as well as problems associated with lost or stolen checks, and also resolve concern about how checks will be deposited in the consumer's absence if, for example, he is on vacation.

This service, referred to as direct deposit, is most commonly used for employee payrolls and for government-recurring payments such as social security and veteran's benefits. It is significant that over 20 per cent of the eligible recipients of social security payments have elected to receive their payments by EFT since the inception of the U.S. Treasury's direct deposit program in 1975.

EFT systems also serve the consumer in retail locations through terminals offering EFT information services. A check can be approved or guaranteed rapidly and reliably, making the conventional personal check more acceptable as payment for goods and services. Instantaneous transfers of funds between the consumer and the merchant can be effected by means of a plastic "debit card" which has direct access to the consumer's account at his financial organization.

Evidence of EFT development can be seen throughout the United States in the form of automated teller machines (ATM's), many of which are currently in operation in locations such as airports and shopping centers as well as through the wall of bank branches. These machines provide a convenient way to obtain cash, make deposits and perform other simple financial transactions—and are often available 24 hours a day.

Credit services may be improved by means of EFT. By providing direct access to better information about the creditworthiness of buyers, there can be a substantial improvement in the control and cost-effectiveness of consumer credit, particularly at the retail point-of-sale.

A Many Faceted System

EFT is not any one type of system. Rather, it is a number of innovative new concepts which combine computer technology and electronic communication systems to provide a variety of basic financial services. Some of the services involve the actual transfer of funds while others are purely informational. All are well-known and routine in today's paper-based system. However, EFT can perform these conventional consumer financial transactions in a simpler, more secure and more convenient manner while simultaneously reducing operating costs.

On-line credit authorization has many advantages. Let us consider the EFT applications relative to credit authorization in greater detail. Bank credit card services are widely used to extend credit at non-bank locations based upon pre-established lines of credit. These credit services have established the banks firmly as a party to the exchange of value at the point-of-sale.

Such services offer to the retailer the ability to provide credit to their customers which is backed by a bank and which entails guaranteed payment from the bank to the retailer for credit purchases. This opportunity is particularly attractive to retail organizations which cannot afford or see no distinct advantage in providing their own consumer credit extension system.

In a bank system, the retailer receives his funds quickly regardless of when the customer actually pays the bill for his credit purchases. A reduction in operating expense is achieved by means of the capture of transaction data at the point-of-sale for subsequent processing by the bank. Both the retailer and the bank realize savings which result from the cost displacement features of credit card authorization at the point-of-sale.

In addition, the retailer is able to serve his customers as rapidly as if cash were being tendered. Retail personnel and customers are not delayed by a time-consuming telephone call to the credit authorization center. Reduced bank charges for credit transactions, "same-day" money and faster transaction times all combine in attracting retailer participation in bank credit authorization systems.

Changes in Credit Systems

Recently, changes have appeared in the national bank card systems which may significantly increase the appeal of credit card authorization and data capture services. Historically, the associations of banks which formed the two major national card networks (VISA and Interbank) permitted member banks to issue only one of the cards and to be the sponsoring bank for merchants for that one card only. Banks are now permitted to be members of both associations and to issue both cards. As a result, a bank can now establish two credit card accounts for each customer. Moreover, a retailer may need to make arrangements with only one bank in order to provide both credit card services to customers. This arrangement increases the efficiency and, hence, the feasibility of establishing a credit authorization and data capture system.

Credit EFT has a bright future. Two important indicators point to an emphasis on credit authorization EFT in the near future. First, banks are competing intensely in the point-of-sale arena in many important market areas.

Secondly, debit cards, that is, plastic cards which directly access personal depository accounts rather than credit accounts, are being accepted by consumers at a relatively slow rate in the United States. Until their use is more widespread, many EFT system designers will establish their programs based upon credit authorization and data capture as the initial phase of implementation with debit card EFT to be added in the future.

When we combine the two trends described above, it becomes apparent that we are likely to see a rapid increase in the development of on-line credit authorization systems. These systems will be the forerunners of the next generation of EFT systems, the widespread use of truly paperless systems.

Source: Reprinted with permission of *The Credit World*, November 1978; an offical publication of International Consumer Credit Association, St. Louis, Missouri.

B. Cable TV

Communications watchers have shown interest in several areas which are but stepping-stones to an orderly universal system of interrelated electronic networks.

Cable TV was, and is, such a stepping-stone, though its development has been disappointing. Today, only 14 million homes of some 75 million are hooked up to a cable to receive a wider array of channels than available on broadcast TV. Large investments in laying cable have yet to be made. This major investment may well be avoided by the advent of small, inexpensive "dishes" by which pictures and messages could be beamed and received from satellites. For the average house dweller, however, that seems a distant dream.

An experiment at WTCG-TV in Atlanta has generated an unusual amount of interest in this idea. The station has linked technology to provide a new service operating 24 hours a day, seven days a week. It is programmed for Middle America. WTCG-TV contracted with Southern Satellite Systems to take its programming and beam it to satellites. Cable stations who own such a receiving "dish" can receive these Atlanta signal originations.

The station then contracted for a toll-free telephone answering service which it offered direct response advertisers as a unique "800" number for their commercials. Responses from cabled areas all over the country were accepted in Atlanta, accounted for and forwarded to advertisers. This was the first time that a single, local station could track such activity and charge advertisers for the expanded reach provided.

C. Qube

Qube, a cable TV experiment being conducted in Columbus, Ohio, by Warner Communications, is another stepping-stone in the development of two-way interactive TV. A company executive described the Qube system as America's first attempt to provide the viewer with a terminal device by which he could call up on the tube for a wide variety of programs. More importantly, the device can be used for voting, stating preferences and for ordering a service or product shown on the screen. The home TV is hooked to the studio by coaxial cable. Voting results can be requested and displayed instantly on the screen. The project today is still limited by having only 18,000 homes in the system.

A subscriber to Qube pays an initial $19.95 installation fee and then $10.95 per month for the service. Subscribers also pay a nominal "box-office" fee for each movie they choose to watch from a selection of first-run movies Qube offers. One magazine publisher has used the voting mode to determine public preferences for magazine covers. Warner says this system will be installed in another Ohio market in the near future and could provide direct response advertisers some unique opportunities.

D. Viewdata System

Perhaps the most surprising development of the decade is England's viewdata system, called Prestel, which in 1979 will begin live experiments there in 1,500 homes. The system needs only the telephone and a modified television set to provide the homeowner or businessman access to all kinds of information stored on huge computer disk files. The system provides a low-cost electronic mail system as well. A message code can be keyed into a central disk file addressed to a unique code representing the recipient. The instant the message is stored, the recipient's TV set is alerted that a message awaits and, when the set is turned on, a red light begins flashing in the upper corner of the screen. Once connected to the data bank, the recipient will be fed a menu of waiting messages. He receives each message in order of importance to him.

Quite remarkable is the idea that an inexpensive printer can be hooked up to print out that which appears on the screen.

The concept and system has excited a wide variety of publishers who are becoming information providers. An encyclopedia publisher in England is reported to be putting his "x" volume set on disks available to the viewer on demand. The information can be updated daily, if necessary. The viewer does not have to buy the entire set of volumes which becomes obsolete with every passing day, but for a fee can have access to the information he chooses.

Information also accessible through Prestel includes classified ads, and reviews of New York City shows and restaurants supplied by *The New York Times* that are updated weekly. *The Financial Times,* through its Fintel 248 Division, is providing Prestel with daily updates of financial information, stocks, bonds and consumer indices. Major corporations can hitch-hike behind this information by providing detailed charts and statistical information about product performance and availability. All this data can be shown on the screen in any combination of seven vivid colors.

The disadvantage of this interactive system at present is that only alpha/numeric information can be provided. As yet, telephone lines cannot provide moving pictures even in black and white. But Prestel can provide scheduling information about what other TV stations are broadcasting.

Germany and France have both bought the system. A consortium in the United States is attempting to develop plans for its introduction here. Unlike its European counterparts, the U.S. Postal System is not expected to play a role in this development. Too much of the system and network is already in the hands of private enterprise.

One of the very best perspectives on this whole subject of communications is a collection of studies published by the Aspen Institute of Humanistic Studies through Praeger Publishers, a division of Holt, Rinehart and Winston. The 530-page volume is entitled, *Communications for Tomorrow: Policy Perspectives for the 1980's,* and is edited by Glen O. Robinson. Chapter 9 discusses electronic alternatives to the U.S. Postal Service. It is a sobering look at the apparent scenario for setting up a universal electronic network which may well leave the keepers of the "paper network" behind. It discusses the impact not only of message transmission, but of electronic funds transfer which could affect postal volume in the billions of pieces of mail annually.

E. Digital Broadcasting

Private enterprise is in full pursuit of supplying an electronic network which, in many instances, will lessen the reliance on the "paper network". Of current interest is the experiment of Digital Broadcasting Corporation, McLean, VA, which envisions a business having a communications mini-computer in-house capable of sending messages singly or in bulk to "mailing lists" via telephone lines. The sender dials a local telephone number which has access to a time-sharing telephone network. The transmission is then routed through a computer in McLean which re-routes the message for a specific address to an FM station closest to the delivery destination. At the FM station, the phone (digital) signal goes out over the air and is received by a unique FM receiver at the home or office of destination. The receiver is attached to any one of a variety of line printers that prints from 30 characters per second to 300 words per second—all in an instant of time between sending and receiving. Digital Broadcasting is the brainchild of William Von Meister, who was involved in the early days of Mailgram with Western Union.

F. Printing Techniques

The printing industry today is feeling the impact of a fast changing technology. We are a generation of individuals who have faced nothing but changes in the way we work and in the way we live. Within our lifetime, there have been more technological innovations than ever before in the history of man.

The Impact of Technology

To develop this perspective, we refer to *Future Shock**, by Alvin Toffler, who has observed that:

> *"If the last 50,000 years of man's existence were divided into lifetimes of approximately 62 years each, there have been about 800 such lifetimes. Of these 800, fully 650 were spent in caves."* He further points out that:
>
> - *"Only in the last 70 lifetimes has man been able to communicate using the written word.*
> - *Only during the last six was the printed word available.*
> - *Only in the last four lifetimes has man been able to accurately measure time.*
> - *And only in the last two has anyone anywhere used an electric motor. Yet today we measure distance in minutes instead of miles; take the existence of electronics for granted; and matter-of-factly put people on the moon. A good portion of these changes in technology have come about because of the presence of computers and the power of electronic computing."*

Every facet of the printing industry will benefit from the acceleration of technology we are experiencing today and which will continue into the foreseeable future. As in the past, printers will use this technology to cushion the impact of rapidly increasing costs of labor, material, equipment and distribution of the printed product. In addition to these pressures, the printer must utilize existing and future technologies that will conserve energy and protect the environment. The technology explosion occurring in the world today provides us both the opportunity and the obligation to examine our operations and to improve them.

Computerized Typesetting

The major changes that have taken place in typesetting and page composition are staggering; they provide some insight in dealing with future technology changes. Two great lessons can be learned by looking back at the development and acceptance of computerized typesetting:

- The change in typesetting technology provided the opportunity to modify the traditional roles of publisher and typesetter; and
- Those who have benefited most from new technology have been those who re-examined typesetting as part of the total publishing function and took advantage of the opportunity to redefine their role.

The publisher and printer, who have worked closely together and redefined the objectives and the methodology of typesetting to their mutual benefit, have generally been more successful at optimizing the use of this technology than the publisher or printer who has rigidly adhered to doing things the "old way" and used a high-speed cathode ray tube character generator as though it were nothing more than a fast linotype machine. So it will be with the technology of the future.

Those who use the "new" as an exact replacement for the "old" will end up with only a new way of doing an old chore. The publisher and printer who work together to exploit new technology to its fullest will not only operate more economically but will also find themselves with processes, products and services that never existed before. Let's take a look at some of the changes that are under development now and may be available in the next several years.

Changes In Press Technology

The most dramatic change will occur in the pre-press area. Electronic image processing has been developed as a by-product of the effort to explore the moon and our neighboring planets. The geometric drop in the cost of computer power and data storage will make this technology economically available to the printing industry. The ability to use electronic, rather than photographic, image processing will result in lower cost, more precise control and faster turn-around time.

In the near future, it will be possible to take a color picture, separate it into printing colors, perform color correction and then combine several images into a single page in digital form. Color "pictures" stored as digital data will permit this data to be transmitted over long distances. It will also be possible to make the color correction and page makeup at one location and then have the data transmitted to one or several regional printing centers across the country or around the world.

**Future Shock*, copyright 1970, Alvin Toffler. Reprinted with permission of Random House, Inc.

To make a printing surface, the digital information can be used to control a mechanical engraving device such as is now used for gravure cylinders. Laser offset platemakers are under development and should be of suitable quality for color lithography. Work is also being done on laser and electron beams for engraving gravure cylinders or exposing offset plates. The entire range of pre-press activity will be changed by these developments. The publisher will have the opportunity to be more intimately involved. And typesetting and image processing will become more integrated than they are today, incorporating studio operations into these functions directly.

Press technology itself may also change. Earlier efforts to develop waterless plates for lithography, or "dryography", were unsuccessful. In the future, waterless plates and a simplified inking system offer the potential for faster make-readies and reduced paster waste in the offset process. In gravure, wraparound plates or segmented cylinders can be expected within a few years along with improved press controls. The trend will be towards "closed loop controls". These systems will not only inform the pressman of a variation from standard running condition, but will correct the variation by itself.

Ink-Jet Printing

The bindery will also benefit from improved controls. Better ways of labeling and mailing are already under development. However, ink-jet printing for labeling is here today. Besides labeling, the ink-jet printer can provide additional information on the order form. The mailer has the opportunity to preprint his customer's name and address and also provide for additional personalized information. This information could include the identity of the mailing list source for the customer's name and orders, determine that customer's buying pattern and, for future mailing pieces, include only the catalog or magazine editorial editions containing the products or information that customer has historically shown an interest in. Selectronic insertion of signatures in the binding process provides the ability to deliver a personalized catalog to each addressee.

A greater trend will be towards in-line manufacturing. Some press products will be stitched, ink-jet addressed and bundled by ZIP Code right at the press with no bindery operations at all, thereby dramatically reducing the labor content of manufacturing operations.

There is a pronounced trend towards lighter weight papers which provide the opportunity to reduce postage or other distribution costs. The paper can then be recycled and used in other consumer products. Efforts are underway to develop inks requiring less energy for drying and which will release fewer waste products to the atmosphere. In some cases solvents can be reclaimed, thereby protecting the environment and reducing use of a material that depends on the availability and cost of petrochemicals.

Cooperation and Communication

The benefits of producing a high quality piece of advertising and putting it into the hands of a potential buyer have never been greater. To use the available technology, and also determine the direction of the emerging technology, will require close cooperation and communication between the printing buyer, printer and the scientist.

G. Computers

If there is any development which has revolutionized direct marketing over the past few decades, it is the computer. It seems impossible to imagine how the industry was able to operate without them, until one realizes that the computer is only about 30 years old.

A Viable Tool for List Maintenance

The first direct marketing applications to which these marvelous tools were put to use was in fundamental list maintenance. These applications were primarily by-products of such ordinary computer functions as payroll, personnel recordkeeping, stock transfers, etc. It rapidly became apparent that the ease with which one could build, maintain and utilize lists was such that list maintenance in its own right was rapidly adopted as a viable computer function.

However, because of the high cost of conversion from traditional list-keeping methods to computer, wide usage of computers in the direct marketing environment advanced rather slowly.

The catalyst which caused the massive jump to computerization took the form of an innocent 5-digit number called the ZIP Code. Faced with the task (and expense) of adding these codes to their lists, and the need to maintain their lists in that sequence, mailers were virtually forced to turn to the computer for help. Suddenly, the number of lists that were "on computer" increased enormously and a whole new dimension was added to the direct marketing picture.

Besides providing list owners with the ability to maintain their lists efficiently, the computer opened up new areas which are still in their infancy.

Today's marketing world is a totally different environment from that of several years ago. That does not mean that the tried and true techniques proven over the years will not work. But the current economic picture, legal situation, and overall environment call for a far higher degree of control over direct marketing efforts than has ever before been necessary.

Need For Computers in Direct Marketing

Without the computer, successful direct marketing (on any reasonable scale) would be virtually doomed to failure. As new developments occur, the need for computers is becoming virtually mandatory.

Computers, for example, give us the ability to select specific groups of names from mailing lists. Because of their ability to store large amounts of data including names and addresses, these selections can often be based upon other, more meaningful criteria. Geographic selections can be made (another fortuitous by-product of the ZIP Code) as well as selections by the recency-frequency-amount of purchases. The degree of demographic data upon which selections are made is enormous, and the direct marketer is able to target in on his marketplace with ever increasing accuracy.

However, it is the negative selection capability of the computer that will probably be of greatest value to the marketer: to prevent the sending of mail to those persons who have indicated they do not wish to receive it. This capability, best exemplified by DMMA's Mail Preference Service, is probably the strongest defense between today's direct marketer and legislation which could seriously limit the marketer's ability to mail. Use of this service by every direct marketer, and the rigorous compliance of any person's wish to be removed from lists, should be thought of as mandatory.

The same computer procedure used to identify and remove these "No Mail" names can also identify the duplications that exist within and between multiple lists. This technique, known as *Merge and Purge*, has also been expanded since its introduction. It was originally touted as a means of saving money by not having to mail duplicate pieces to the same recipient. It has grown to be a sophisticated tool that enables the marketer to: analyze the demographics of the various lists he is using; mail on a more frequent basis; spot changes in the make-up of lists being reused; and eliminate the annoyance factor caused by multiple mailings. In addition, they permit the creation of multiple standardized test segments, each of which is statistically valid. As a result, different marketing strategies, pricing methods, copy and package approaches and other tests can be accurately measured.

Versatility of Minicomputers

The direct marketer also benefits by being able to process more efficiently the replies he receives from his mailings. In the last few years, the minicomputer has grown from a scientific "toy" to a full-fledged, powerful business machine. Most companies now can have a small, typewriter-sized minicomputer in their offices as powerful as the hardware that, only ten years ago, would have filled up rooms. These modern minicomputers are following the pattern of hand-held calculators. Almost every day brings an announcement of a new development which increases their capability and speed, or reduces their cost. It is safe to say that, within a few years, minicomputers will be universally used in offices as copy machines are today.

Unlike their lumbering ancestors, these minicomputers have been designed to operate via typewriter-like terminals that make it practical for direct marketers both to enter orders immediately upon receipt and to update customer records instantly when payments are made or merchandise returned. Data, which can be instantly retrieved, will reflect information that is current, not 15 or 30 days old, and permit much more informed decision making. Inventories can also be properly managed preventing back-orders (and the resulting customer disappointments), overstock conditions and waste. Business trends can easily be spotted, analyzed, and utilized to guide the business towards more efficient operations.

Along with the minicomputer's growth, we have seen a comparable growth in the capabilities offered by the service bureaus. By spreading the costs of hardware and software over a large user base, these sophisticated companies can provide marketers with advanced techniques using optical scanning machines to read and process coupons and return mail automatically, while specialized mail handling equipment can sort envelopes, count, endorse and encode checks, do highly involved mathematical analyses of response data, etc.

Current computer techniques, therefore, permit the direct marketer to operate in today's more complex marketing environment. The marketer who takes advantage of these and other new developments will be able to maximize his profit potential, minimize his costs, and be ever more responsive to the needs of his marketplace.

H. Videodisc

In another arena, the Videodisc Age is dawning with several manufacturers now introducing their products. One player, Magnavision, attaches to any TV set's antenna terminals. The special record is placed on the player's turntable, the lid closed and the start button pushed. The turntable almost instantly revs up to 1800 rpm and a low-powered laser shoots its pin-point beam to the disk. The disk reflects it back to a mirror-and-prism system where the beam is split in two. One of the beams conveys picture-and-sound information to the player's electronics, while the other keeps the pickup arm on the correct microscopic "track", which is spaced 65/1,000,000ths of an inch from its neighbors.

The player may also be connected to any stereo system to play back programs whose sound is recorded in stereo, or you can play it through your TV sound system. One disk may contain up to two hours of picture and sound (one hour per side) for movies and live theatrical productions. Others will hold a half-hour per side and their moving pictures can be stopped and held, played in slow-motion, speeded up or even shown backwards. Each such record can hold up to 54,000 still pictures per side and any individual frame can be located rapidly by pushbutton which gives the videodisc important potential as an educational tool.

Magnavision is manufactured by MCA Corporation and Philips. A consumer market test is expected to be conducted in Atlanta early in 1979.

Another manufacturer is RCA which has been developing its SelectaVision since 1964. The system, using 10-minute disks, has been marketed for three years in Europe by Telefunken and Matsushita. JVC and Sony of Japan and Thomson-CSF of France are also in the running.

There is no interchangeability among any of these systems and standards of manufacture as well as of compatibility would have to be established if they do come to American markets.

To date, estimates are that research and development costs for the videodisc by all companies together exceeds a half-billion dollars.

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International Direct Response Marketing

With each passing year, the international aspects of direct response marketing become more and more important to companies primarily resident in the United States and to those whose business centers are located abroad.

This is not surprising. American companies have increasingly established businesses in Europe, the Far East and Australia and, now, there is a very considerable trend for foreign companies to launch operations in the United States and Canada.

While the practice of direct response marketing varies from country to country, it depends on everything from national attitudes and traditions to specific legislation in each country. If there is one all-embracing rule that covers international direct response marketing it might be said to be: *A promotional concept which has worked successfully in one country is more likely to work in other countries than a promotional concept which has failed to work in its country of origin.* The exceptions prove the rule, but the rule holds. For all the national variations necessary to get the maximum impact from a promotion, most sound promotions from one country travel amazingly well and are applicable with relatively minor changes in other countries.

This should not be surprising. The best direct response marketing is straightforward and direct. It offers the consumer tangible benefits such as convenience, price, uniqueness and service. Since all these benefits are universal, there should be no logical reason why they should not appeal as much to a consumer in Munich as to one in Marion, Milan or Milwaukee.

U.S. Leads the World

Direct response marketing in most parts of the world still lags a few years behind the American practice. Mailing list sophistication is inhibited by a tradition of secrecy which, while slowly breaking down, is still a deterrent to effective and regular list brokering and exchanges.

Print media are far less willing to offer special positions—more importantly, with innovations such as tip-on cards, bound-in and loose inserts, spectaculars and the like—than do American print media owners; but this, too, is changing fast.

In many countries, commercial television either does not exist at all or the number of minutes of commercials permitted in an hour of programming is so restricted, by American standards, that the economics of using television for direct response marketing makes the medium difficult or impossible to use since it needs relatively long commercials to be effective.

These difficulties aside, some areas of sophistication in direct response marketing have a considerable lead on the American practice. Innovative use of computers, alternative delivery systems, electronic fund transfers are all extremely well developed. If many of the overseas markets appear to be lagging a few years behind the American practice, they benefit by being able to leapfrog the research and development costs by waiting until the Americans have made the mistakes and removed the flaws from the particular systems before adapting their own systems to match.

This situation has a major benefit both to American and foreign firms. It allows American firms to sell expertise to their overseas associates at the same time they are selling products. It also allows the overseas companies to concentrate their expenditures in relatively smaller markets without having the enormous (and highly risky) research and development costs.

Making Contacts Abroad

To make contact with our counterparts in direct response marketing in any of the major countries, the first step is through the respective national direct mail marketing association. Each association is happy to make introductions to its members and one introduction often leads to others.

In Europe, there are two annual meetings of direct marketing professionals: the Spring meeting sponsored by DMMA; and the Annual International Direct Marketing Symposium held each April in Montreux, Switzerland. Attendance at one or the other will certainly introduce the national direct marketing practitioner to his international colleagues. In Brazil, there are periodic direct marketing seminars as there are in Australia. Thus, the practitioner who wants to go from a national to an international position in the marketplace has ample opportunity to meet the people and make the contacts to ease his way.

Doing business abroad, whether it be an American operating in England or a Frenchman operating in Spain, requires detailed knowledge and professional advice about the regulations of doing business in the host country. The importance of being familiar with and of adhering to these regulations cannot be overemphasized.

Proper legal and accounting advice from firms specializing in international business and, preferably, from firms with direct marketing clients on their rosters, will save awesome and unnecessary anguish. If a company is expanding into new markets abroad, it should also be able to call on its advertising agency for detailed direction in the above-mentioned areas, as well as for professional marketing advice.

Partnerships with foreign companies, license agreements, arrangements for technical advice and all other forms of multi-national cooperation are the instruments which make up the total orchestration of an international entry into the direct response marketing world outside the United States.

Tips For International Mailers

- There is little difference between the number of problems involved in mailing domestically and the number involved in mailing overseas. The problems are simply different.
- U.S. publishers have a ready-made market in many of the developing countries because education and economic growth have brought about the need for more technical and scientific books at the same time that publishing in many of these countries is declining.
- A survey conducted by the *Financial Times*, London, has shown that leading European business executives consider English language publications among their most essential reading. The point is that among these English language publications a number of them are available only through direct mail subscriptions.
- Do not ignore local languages particularly when dealing with middle-management or the consumer.
- Holland, out of proportion to its population, is at the top of the list in its acceptance of the mails as an advertising medium. Direct mail constitutes 32.5% of all advertising.
- Italy is experiencing enormous difficulties with its postal system. So, even though computerized mailing lists are available, direct mail is not as profitable there as it could be.
- Direct mail is flourishing in France despite some problems within the postal system.
- All list brokers in Switzerland use computerized systems.
- In Germany direct mail accounts for 30% of total advertising expenditures and a number of good direct mail houses exist there.

International Associations & Clubs

A.N.V.E.C.
Attention: Mr. B. Brandolini
Via Melchiorre Gioia 70
Milano 20123, ITALY

Adv—German Direct Mail & Marketing Association
Attention: Mr. Heinz Fischer
President
P.O. Box 2607
2000 Hamburg 13, WEST GERMANY

Asociacion Mexicana de Mercadotecia por Correo Directo
Attention: Mr. Koos H. Wiewers
c/o Libros de Time-Life
Paseo De La Reforma
Mexico 5, D.F., MEXICO

Association Europeene de Vente par Correspondence (mail order)
Attention: Dr. Peter Fritsche
President
Johanne-Klotz Strasse 12
Frankfurt-Main, WEST GERMANY

Australian Direct Marketing Association
Attention: Mr. Max J. Farley
Federal Director
32 Buckingham Street
Surrey Hills, N.S.W. 2010, AUSTRALIA

British Direct Mail Marketing Association
Attention: Mr. Len Ford
Director
One New Burlington Street
London, W1X 1FD, ENGLAND

Canadian Direct Marketing Association
Attention: Mr. Frank Ferguson
President
150 Consumers Road, Suite 405
Willowdale, Ontario M2J 1P9, CANADA

Direct Mail Producers Association
Attention: Mr. Mark Elwes, Esquire
34 Grand Avenue
London, N10 3BP, ENGLAND

Direct Marketing Club of Toronto
Attention: Mr. Bob Burns
President
P.O. Box 3000, Station A
Toronto, Ontario M5W 1A5, CANADA

Dutch Direct Mail Association
Attention: Mr. J. R. Bouten
Executive Director
c/o Genootschan Voor Reclame
Koningslaan 2
Amsterdam, THE NETHERLANDS

European Direct Marketing Association
Attention: Mr. Hans Waldmeier
EDMA Secretary
Fuchsenbergstrasse 15
CH-8645 JONA/SG
Zurich, SWITZERLAND

Finnish Direct Mail Association
Attention: Mr. Pentta Reinas
Chairman
Schaajankatu 9
99010 Helsinke 81, FINLAND

Japan Direct Mail Association
Attention: Mr. Tatsuo Izumi
Secretary
Masuda Building, 3-2-12 Kyobaschi
Chuo-ku, Tokyo 104, JAPAN

New Zealand Direct Mail Association
Attention: Mr. George Craig
Secretary
c/o Cook, Craig & Company
P.O. Box 643, Lambton Quay
Wellington 1, NEW ZEALAND

South African Direct Mail Advertising Association
Attention: Mr. J. A. Fisch
Chairman
c/o J. A. Fisch Associates
Union Square — Plein Street
Johannesburg 2000, SOUTH AFRICA

Sveriges Direktreklamforening
Attention: Mr. Tom Ekelund
Manager
Box 45110
104 30 Stockholm, SWEDEN

Swiss Direct Marketing Association
Attention: Mr. Arthur Jaeggi
President
Postfach 41
8128 Hinteregg
Zurich, SWITZERLAND

Syndicat des Enterprises de Vente par Correspondence
Attention: Mr. Bernard Pruvost
Secretary General
63 Rue La Boetie
75008 Paris, FRANCE

Syndicat Nationale de la Publicite Directe
117 Boulevard St. Germain
75006 Paris, FRANCE

13

Government Regulations

A. Federal Trade Commission

Privacy

After two years of study, the Privacy Protection Study Commission (PPSC), established by the Privacy Act of 1974, released its recommendations concerning the use of mailing lists. The PPSC had been mandated to decide whether "an organization engaged in interstate commerce should be required to remove from its mailing list the name of an individual who does not want to have his name on it".

The final recommendation stated no such mandatory requirement was needed but instead urged mailers to voluntarily disclose their rental practices and give individuals an opportunity to have their names removed from such lists before they are rented.

DMMA's Mail Preference Service (MPS), which provides consumers a chance to be added to or removed from lists, played a positive role in the PPSC recommendation as evidence that direct marketers are willing to take "self-regulatory" steps. Consumer response to MPS has yielded *more requests to get on* than off mailing lists. Also contributing to the PPSC decision were the programs begun by individual companies that provide for name removal. *(See Appendix II for sample MPS form.)*

DMMA worked closely with the Commission for two years including testifying in hearings, coordinating the testimony of others, and providing numerous opportunities for Commission members to meet and talk with direct marketers.

Now that the recommendation has been released, DMMA is working with direct marketers to help develop systems to meet the spirit of the PPSC recommendation as well as strengthen Mail Preference Service so that future legislation will not be needed. *(See Appendix II for samples of name removal option forms.)*

Companies Practicing Self-Regulation

In July of 1977 the Privacy Protection Study Commission (PPSC) urged companies that rent, sell or exchange mailing lists to let their customers, members or donors know that fact and give them an opportunity to be removed from the list before the rental takes place. As 1980 was drawing to a close, nearly 300 companies had complied with the voluntary recommendations of the Commission. A list of this "**Honor Roll**" of self-regulators follows:

Honor Roll of Self-Regulators

Aaron Sauter, Gains & Associates Inc.
Abbey Press
Adirondac Chair Co.
Alden's Inc.
Allstate Insurance Co.
Amba Marketing Systems, Inc.
Ambassador International
American Bar Association
American College of Physicians
American Express Card Division
American Home Marketing/Input Data Co.
American Library Association
American Management Association
American Museum of Natural History
American Products Div. American Slicing Machine Co.
Amsterdam Printing & Litho
Americolor
Annie's Attic
Antioch Bookplate Co.
Apollo Advertising
Johnny Appleseed's Inc.
Arizona Mail Order Co., Inc.
Association for Research & Enlightenment
Atlantic List Co., Inc.
Atlantic Richfield Co.
N.W. Ayer ABH International

Baldwin-Cooke Co.
Bank of America
Bankers Life & Casualty Co.
Bantam Books, Inc.
Barry Publications
B.A.S.S.
Eddie Bauer, Inc.
Beacon Direct Response, Inc.
L.L. Bean, Inc.
Billboard Publications
Walter J. Black
Bolind, Inc.
Book of the Month Club, Inc.
Paul Brooker Sales International
Brookstone Co.
The Business Office

Cabela's, Inc.
Cahners Publishing Co.
Calhoun's Collectors Society
Catholic Digest
Charter Publishing Co.
Chevron U.S.A. Inc.
Childcraft Education Corp.
Christian Appalachian Project
Christian Life Inc.
Classic Motor Books, Inc.
Clymer's of Bucks County
CBS Columbia House
Contacts Influential
Joan Cook Inc.
The Country Loft
Crain Communications, Inc.
Craver, Mathews, Smith & Co.
Cricket Magazine

Damart Thermanwear, Inc.
Davis Publications, Inc.
Day-Timers
Deere & Company
Deerskin Trading Post, Inc.
Demographics Inc.
Diners Club
Direct Marketing
Direct Media
Disabled American Veterans
Walt Disney Music Co.
Donnelley Marketing
Doubleday & Co.
Down's Collector Showcase
The Drawing Board, Inc.
DRI Industries
Duncroft, Inc.
H.R. Dunham Co.
E.I. duPont de Nemours & Co.

Early Winters, Limited
Eastern Mountain Sports, Inc.
Edmund Scientific Company
V.W. Eimiche Associates, Inc.
Enterprise Publishing Co.
Exxon Travel Club, Inc.

Fidelity Distributors Corp.
Henry Field Seed & Nursery Co.
Figi's Incorporated
F.N.I. Inc.
Forestry Suppliers, Inc.
Forste & Gallagher, Inc.
Foster House
Foundation of Christian Living
Frederick's of Hollywood
Frostline, Inc.
Fulfillment Corp. of America
Funk & Wagnalls, Inc.

Games Magazine
Garden Way Associated
General Electric
Gorsuch Ltd.
Grayarc Company, Inc.
Jean Grayson's Brownstone Studio
The Great Book of Catalogues
The Stephen Greene Press
Grolier, Inc.

Hanes Corporation
Hanover House
Harcourt Brace Jovanovich, Inc.
Harvard Business Review
Health Company
Hearst Magazines
Hildref Publications
Hemmings Moter News
Herrschners
Hewlett-Packard
Highlights for Children
Historical Times, Inc.
Hoke Communications
The Holes-Webway Co.
Holubar Mountaineering Ltd.
Honeybee
Horchow Mail Order, Inc.
Hot Line, Inc.
Housatonec Valley
House Plants & Porch Gardens Magazine

IBM Corporation
International Male
Intertec Publishing Corp.

JC Penney Company, Inc.
Jensen Tools & Alloys
Jewelart Inc.
Johnson & Johnson Baby Products
Johnson Smith Company
Ed Jones Direct Marketing
J.W. Jung Seed Company

Charles Keath Limited
The Kiplinger Washington Editors, Inc.
Knapp Communications Corp.
Kozak Auto Drywash, Inc.
K-Promotions, Inc.

Lee Wards
Lenca Inc.
Lillian Vernon Corporation
Looart Press, Inc.

MacMillan Book Clubs, Inc.
Maryland Magazine
Mary Maxim Inc.
Mason & Sullivan Co.
Mattick Business Forms Inc.
McGraw-Hill, Inc.
Meredith Corporation
Michigan Bulb Co.
Mission Orchards
Modern Farm
Montgomery Ward
The Mother Earth News
Ms. Magazine

NASHUA Corporation
National Business Furniture, Inc.
National Demographics/The Lifestyle Selector
National Handcraft Institute, Inc.
National Pen Corporation
National Telemarketing, Inc.
National Underwriter Company
Natural Fiber Fabric Club
New England Business Service, Inc.
New England Journal of Medicine
Newsweek
New York Magazine

Ogilvy & Mather, Inc.
Old American Insurance Co.
Old Guilford Forge
Olson Electronics, Inc.
Omaha Steaks International
Our Sunday Visitor, Inc.

Papermasters Div. of Compak Systems
Papillon
The Paragon
George W. Park Seed Company, Inc.
Penton/IPC, Inc.
Pepperidge Farm Mail Order Co.
Personnel Journal
Peterson Publishing Co.
Physicians Mutual Insurance Co.
Playboy Enterprises
Playgirl Magazine, Inc.
Polygram Direct Marketing
Prentice-Hall, Inc.
S.T. Preston
Prudent Publishing Co
P & S Sales, Inc.

Quest/80 Magazine
Quill Corporation

RCA SelectaVision VideoDisc
Reader's Digest Association, Inc.
Carol Reed
Revere Chemical Corporation
Roaman's Mail Order, Inc.
Rodale Press, Inc.
Edith Roman Associates

Sakowitz, Inc.
Sargent-Sowell, Inc.
Save the Children
Scholastic Magazines
Serendipity
Sheplers Catalog Center
Smithsonian Magazine
Southern Living/Progressive Farmer/
Decoration & Craft Ideas
South-Western Publishing Co.
Spear Engineering Co.
Spencer Gifts
Spiegel, Inc.
Spiratone, Inc.
Sportpages
Sportsco, Inc.
Stamp Collector Newspaper
Standard & Poor's Corporation
Stark Brothers Nurseries
Sterling House
Sturbridge Yankee Workshop
Suburbia Mail Shipping Service
Successful Farming
Sundial, Inc.
Sunset House
Swiss Colony

The Talbots
Tax Management, Inc.
Tektronic, Inc.
Texas Monthly
Norm Thompson Catalog
Time, Inc.
Time Life Books, Inc.
Times Mirror Magazines
The Tog Shop, Inc.
Twentieth Century Plastics, Inc.

Union Oil Co. of California
United Media International
U.S. Committee for UNICEF
U.S. General Supply Corp.
U.S. News & World Report

Van Nostrand Rheinold Co.
Vermont Casting, Inc.
Vermont Crafts Market
Lillian Vernon Corp.
The Very Thing

Wall Street Journal
The Washingtonian
The Webb Co.
West End Brewing Co.
West Marine Products
Wildcat Valley Country Store
John Wiley & Sons, Inc.
Williamhouse-Regency, Inc.
Wilton Enterprises, Inc.
The Winterbrook Corp.
Wisconsin Cheeseman
Wild Wings
WNET/13
The Wooden Spoon
Word, D.M.S.
Work in American Institute, Inc.
Writer's Digest

Xerox Education Publications

Yeck Brothers Group
Yield House, Inc.
Young Republican National Federation

Note: There are 267 companies known to be complying with self-regulation at this printing, a 50% increase from a year ago.

How To Keep A Name Off A Mailing List[1]

"If an individual does not want to receive unsolicited direct mail he can keep his name off most lists by becoming a modern-day-hermit—by paying cash for all his purchases, not owning a car, giving to charities anonymously, always buying magazines at newsstands, never responding to a door-to-door survey, never signing a petition or a guest book, never registering to vote, and never attending a meeting, conference, or newsworthy social event. Even so he may still get a certain amount of unsolicited mail addressed to 'Occupant,' but not much because 'Occupant' mailings are not selective enough for most mailers.

"There are to be sure less anti-social ways for an individual to choke off his direct mail traffic, provided he knows of them. The Commission learned of four others: an individual can send a personal letter of objection to every organization he suspects is renting or otherwise making his name available to direct mailers; he can exercise the 'negative check-off option' that some organizations offer him; he can lodge his request not to receive mail with the Mail Preference Service, a centralized delisting program operated by the Direct Mail/Marketing Association; and he can use the delisting service the Post Office maintains for individuals who do not want to receive obscene advertising. What he must NOT do, if he wants his correspondence to have any effect, is write to the organization that sends him unsolicited mail without having first established a relationship with him, because, as explained earlier, the user of a list normally does not have his name until he responds to its advertisement or solicitation. Moreover, he must NOT ask that his name be REMOVED from the mailing list, but rather that in the records used to develop the mailing list a notation be put next to his name indicating that he does not want it to be used for direct mail marketing or solicitation. That will assure that his name will be omitted from any list another organization is permitted to use."

[1] Excerpted from the July 1977 Privacy Protection Commission's "Report on Mailing Lists".

Credit

The Federal Trade Commission (FTC) has some major enforcement responsibilities in the area of credit regulations affecting all businesses. A summary follows. *(See also Credit and Collections, Section 9.)*

Fair Credit Reporting Act. First promulgated in 1971 by the FTC. In February, 1973, FTC issued six final interpretations which in essence state that the Act:

- Prohibits publication and distribution by credit bureaus of books containing consumers' credit ratings, called "credit guides", unless encoded to insure consumers' anonymity.
- Allows the use of certain kinds of "protective bulletins" which identify check forgers, swindlers and the like—provided no information in them is used in establishing the subjects' eligibility for credit, insurance or employment.
- Requires that consumers be informed by prospective lenders when they are denied credit on the basis of information furnished by loan exchanges.
- Requires that when an insurance company uses a state motor vehicle report to deny or increase the cost of a consumer's insurance, it informs him of that fact and of the state agency's identity.
- Permits consumer reporting agencies to pre-screen prospects' names for credit worthiness for direct mail solicitations, so long as the user certifies that every person on the list furnished by the credit bureau will receive the solicitation.
- Concludes that reporting activities of federal agencies such as the Civil Service Commission will not be included within the scope of the FCRA.

Truth in Lending Act—Regulation Z. Became effective July 1, 1969. The most pertinent section for all companies dealing in any way in consumer credit selling (includes credit cards) is Regulation Z. The most recent amendments to Regulation Z were issued March 23, 1977. The Regulation is administered by nine government agencies. However, for retail, department stores, consumer finance companies and all credit card companies the administering agency is the FTC. Banks are responsible to various agencies depending on their incorporation.

The major purpose of the Act is to assure that every customer who has need for consumer credit is given meaningful information with respect to the cost of that credit. Other relevant credit information must also be disclosed so that the customer may readily compare the various credit terms available to him from different sources and avoid the uninformed use of credit. A further proviso gives the customer, under certain circumstances, the right to cancel a credit transaction. Advertising of consumer credit terms must comply with specific requirements; credit card issuance and the limits on the cardholder's liability for unauthorized use of a credit card are also covered.

Fair Credit Billing Act. Became effective October 28, 1975, as an amendment to the Truth in Lending Act. It is enforced by the FTC.

The Act applies only to "open end" credit plans. For purposes of the Act, "open end" credit covers all consumer credit extended by use of a credit card, as well as most other types of revolving credit, including department store charge accounts and line of credit plans such as overdraft checking. The Act does not apply to installment loans or purchases (such as cars or homes) which must be paid according to a set schedule of installments.

The Act, in addition, sets up a billing dispute settlement procedure which allows the consumer to question what he believes are billing errors on periodic statements. The creditor must acknowledge the consumer's inquiry and promptly correct errors or explain why it believes the statement is correct. The Act establishes a dispute procedure and insures that consumers are made aware of it as well.

Equal Credit Opportunity, Regulation B. Became effective October 28, 1975 as an amendment to the Truth in Lending Act. It is enforced by the FTC.

There are seven major provisions in the Act:

- Credit scoring on the basis of marital status is prohibited.
- Reasons for denying credit must be furnished to the applicant for credit.
- Limitations permitted the creditor concerning "family" or "joint" accounts.

- Alimony and child-support payments must be considered when assessing an applicant's credit-worthiness.
- Creditors are not permitted to inquire whether an applicant intends to have children.
- Creditors are not permitted to discount any part of a person's income because of sex or marital status.
- Accounts used by both a husband and wife must be maintained in both their names.

Fraud and Deception

While all of the FTC's purview may be considered as restricting fraud and deception upon the purchasing public, we have placed three of its areas of concern—deceptive pricing, use of the word "new" and use of the word "free"—in this separate category, as being three of the most prevalent abuses in selling.

Deceptive Pricing—Effective January 8, 1964

Bargain advertising offers reduction from a "former", "regular", "comparable", "list price" and "manufacturer's suggested retail price". A careful scrutiny of the following will enable direct marketers to truthfully advertise "sale" prices to their customers and remain within the law.

Former price comparisons. (a) One of the most commonly used forms of bargain advertising is to offer a reduction from the advertiser's own former price for an article. If the former price is the actual, bona fide price at which the article was offered to the public on a regular basis for a reasonably substantial period of time, it provides a legitimate basis for the advertising of a price comparison. Where the former price is genuine, the bargain being advertised is a true one. If, on the other hand, the former price being advertised is not bona fide but fictitious—for example, where an artificial, inflated price was established for the purpose of enabling the subsequent offer of a large reduction—the "bargain" being advertised is a false one; the purchaser is not receiving the unusual value he expects. In such a case, the "reduced" price is, in reality, probably just the seller's regular price.

(b) A former price is not necessarily fictitious merely because no sales at the advertised price were made. The advertiser should be especially careful, however, in such a case, that the price is one at which the product was openly and actively offered for sale, for a reasonably substantial period of time, in the recent, regular course of his business, honestly and in good faith—and, of course, not for the purpose of establishing a fictitious higher price on which a deceptive comparison might be based. And the advertiser should scrupulously avoid any implication that a former price is a selling, not an asking price (for example, by use of such language as, "Formerly sold at $.......") unless substantial sales at that price were actually made.

(c) The following is an example of a price comparison based on a fictitious former price. John Doe is a retailer of Brand X fountain pens, which cost him $5 each. His usual markup is 50 percent over cost; that is, his regular retail price is $7.50. In order subsequently to offer an unusual "bargain", Doe begins offering Brand X at $10 per pen. He realizes that he will be able to sell no, or very few, pens at this inflated price. But he doesn't care, for he maintains that price for only a few days. Then he "cuts" the price to its usual level—$7.50—and advertises: "Terrific Bargain: X Pens, Were $10, Now Only $7.50!" This is obviously a false claim. The advertised "bargain" is not genuine.

(d) Other illustrations of fictitious price comparisons could be given. An advertiser might use a price at which he never offered the article at all; he might feature a price which was not used in the regular course of business, or which was not used in the recent past but at some remote period in the past, without making disclosure of that fact; he might use a price that was not openly offered to the public, or that was not maintained for a reasonable length of time, but was immediately reduced.

(e) If the former price is set forth in the advertisement, whether accompanied or not by descriptive terminology such as "Regularly," "Usually," "Formerly," etc., the advertiser should make certain that the former price is not a fictitious one. If the former price, or the amount or percentage of reduction, is not stated in the advertisement, as when the ad merely states, "Sale", the advertiser must take care that the amount of reduction is not so insignificant as to be meaningless. It should be sufficiently large that the consumer, if he knew what it was, would believe that a genuine bargain or saving was being offered. An advertiser who claims that an item has been "Reduced to $9.99," when the former price was $10, is misleading the consumer, who will understand the claim to mean that a much greater, and not merely nominal, reduction was being offered.

Retail price comparisons; comparable value comparisons. (a) Another commonly used form of bargain advertising is to offer goods at prices lower than those being charged by others for the same merchandise in the advertiser's trade area (the area in which he does business). This may be done either on a temporary or a permanent basis, but in either case the advertised higher price must be based upon fact, and not be fictitious or misleading. Whenever an advertiser represents that he is selling below the prices being charged in his area for a particular article, he should be reasonably certain that the higher price he advertises does not appreciably exceed the price at which substantial sales of the article are being made in the area—that is, a sufficient number of sales so that a consumer would consider a reduction from the price to represent a genuine bargain or saving. Expressed another way, if a number of the principal retail outlets in the area are regularly selling Brand X fountain pens at $10, it is not dishonest for retailer Doe to advertise: "Brand X Pens, Price Elsewhere $10, Our Price $7.50".

(b) The following example, however, illustrates a misleading use of this advertising technique. Retailer Doe advertises Brand X pens as having a "Retail Value $15.00, My Price $7.50", when the fact is that only a few small suburban outlets in the area charge $15. All of the larger outlets located in and around the main shopping areas charge $7.50, or slightly more or less. The advertisement here would be deceptive, since the price charged by the small suburban outlets would have no real significance to Doe's customers, to whom the advertisement of "Retail Value $15.00" would suggest a prevailing, and not merely an isolated and unrepresentative, price in the area in which they shop.

(c) A closely related form of bargain advertising is to offer a reduction from the prices being charged either by the advertiser or by others in the advertiser's trade area for other merchandise of like grade and quality—in other words, comparable or competing merchandise—to that being advertised. Such advertising can serve a useful and legitimate purpose when it is made clear to the consumer that a comparison is being made with other merchandise and the other merchandise is, in fact, of essentially similar quality and obtainable in the area. The advertiser should, however, be reasonably certain, just as in the case of comparisons involving the same merchandise, that the price advertised as being the price of comparable merchandise does not exceed the price at which such merchandise is being offered by representative retail outlets in the area. For example, retailer Doe advertises Brand X pen as having "Comparable Value $15.00". Unless a reasonable number of the principal outlets in the area are offering Brand Y, an essentially similar pen, for that price, this advertisement would be deceptive.

Advertising retail prices which have been established or suggested by manufacturers (or other nonretail distributors). (a) Many members of the purchasing public believe that a manufacturer's list price, or suggested retail price, is the price at which an article is generally sold. Therefore, if a reduction from this price is advertised, many people will believe that they are being offered a genuine bargain. To the extent that list or suggested retail prices do not in fact correspond to prices at which a substantial number of sales of the article in question are made, the advertisement of a reduction may mislead the consumer.

(b) There are many methods by which manufacturers' suggested retail or list prices are advertised: large scale (often nationwide) mass-media advertising by the manufacturer himself; preticketing by the manufacturer; direct mail advertising; distribution of promotional material or price lists designed for display to the public. The mechanics used are not of the essence. This part is concerned with any means employed for placing such prices before the consuming public.

(c) There would be little problem of deception in this area if all products were invariably sold at the retail price set by the manufacturer. However, the widespread failure to observe manufacturers' suggested or list prices, and the advent of retail discounting on a wide scale, have seriously undermined the dependability of list prices as indicators of the exact prices at which articles are in fact generally sold at retail. Changing competitive conditions have created a more acute problem of deception than may have existed previously. Today, only in the rare case are all sales of an article at the manufacturer's suggested retail or list price.

(d) But this does not mean that all list prices are fictitious and all offers of reductions from list, therefore, deceptive. Typically, a list price is a price at which articles are sold, if not everywhere, then at least in the principal retail outlets which do not conduct their business on a discount basis. It will not be deemed fictitious if it is the price at which substantial (that is, not isolated or insignificant) sales are made in the advertiser's trade area (the area in which he does business). Conversely, if the list price is significantly in excess of the highest price at which substantial sales in the trade area are made, there is a clear and serious danger of the consumer being misled by an advertised reduction from this price.

(e) This general principle applies whether the advertiser is a national or regional manufacturer (or other nonretail distributor), a mail-order or catalog distributor who deals directly with the consuming public, or a local retailer. But certain differences in the responsibility of these various types of businessmen should be noted. A retailer competing in a local area has at least a general knowledge of the prices being charged in his area. Therefore, before advertising a manufacturer's list price as a basis for comparison with his own lower price, the retailer should ascertain whether the list price is in fact the price regularly charged by principal outlets in his area.

(f) In other words, a retailer who advertises a manufacturer's or distributor's suggested retail price should be careful to avoid creating a false impression that he is offering a reduction from the price at which the product is generally sold in his trade area. If a number of the principal retail outlets in the area are regularly engaged in making sales at the manufacturer's suggested price, that price may be used in advertising by one who is selling at a lower price. If, however, the list price is being followed only by, for example, small suburban stores, house-to-house canvassers, and credit houses, accounting for only an insubstantial volume of sales in the area, advertising of the list price would be deceptive.

(g) On the other hand, a manufacturer or other distributor who does business on a large regional or national scale cannot be required to police or investigate in detail the prevailing prices of his articles throughout so large a trade area. If he advertises or disseminates a list or preticketed price in good faith (i.e., as an honest estimate of the actual retail price) which does not appreciably exceed the highest price at which substantial sales are made in his trade area, he will not be chargeable with having engaged in a deceptive practice. Consider the following example:

(h) Manufacturer Roe, who makes Brand X pens and sells them throughout the United States, advertises his pen in a national magazine as having a "Suggested Retail Price $10," a price determined on the basis of a market survey. In a substantial number of representative communities, the principal retail outlets are selling the product at this price in the regular course of business and in substantial volume. Roe would not be considered to have advertised a fictitious "suggested retail price". If retailer Doe does business in one of these communities, he would not be guilty of a deceptive practice by advertising, "Brand X Pens, Manufacturer's Suggested Retail Price, $10, Our Price, $7.50".

(i) It bears repeating that the manufacturer, distributor or retailer must in every case act honestly and in good faith in advertising a list price, and not with the intention of establishing a basis, or creating an instrumentality, for a deceptive comparison in any local or other trade area. For instance, a manufacturer may not affix price tickets containing inflated prices as an accommodation to particular retailers who intend to use such prices as the basis for advertising fictitious price reductions.

Bargain offers based upon the purchase of other merchandise. (a) Frequently, advertisers choose to offer bargains in the form of additional merchandise to be given a customer on the condition that he purchase a particular article at the price usually offered by the advertiser. The forms which such offers may take are numerous and varied, yet all have essentially the same purpose and effect. Representative of the language frequently employed in such offers are "Free," "Buy One–Get One Free," "2-For-1 Sale," "Half Price Sale," "1¢ Sale," "50% Off," etc. Literally, of course, the seller is not offering anything "free" (i.e., an unconditional gift), or ½ free, or for only 1¢, when he makes such an offer, since the purchaser is required to purchase an article in order to receive the "free" or "1¢" item. It is important, therefore, that where such a form of offer is used, care be taken not to mislead the consumer.

(b) Where the seller, in making such an offer, increases his regular price of the article required to be bought, or decreases the quantity and quality of that article, or otherwise attaches strings (other than the basic condition that the article be purchased in order for the purchaser to be entitled to the "free" or "1¢" additional merchandise) to the offer, the consumer may be deceived.

(c) Accordingly, whenever a "free," "2-for-1," "half price sale," "1¢ sale," "50% off" or similar type of offer is made, all the terms and conditions of the offer should be made clear at the outset.

Miscellaneous price comparisons. The practices covered in the provisions set forth above represent the most frequently employed forms of bargain advertising. However, there are many variations which appear from time to time and which are, in the main, controlled by the same general principles. For example, retailers should not advertise a retail price as a "wholesale" price. They should not represent that they are selling at "factory" prices when they are not selling at the prices paid by those purchasing directly from the manufacturer. They should not offer seconds or imperfect or irregular merchandise at a reduced price without disclosing that the higher comparative price refers to the price of the merchandise if perfect. They should not offer an advance sale under circumstances where they do not in good faith expect to increase the price at a later date, or make a "limited" offer which, in fact, is not limited. In all of these situations, as well as in others too numerous to mention, advertisers should make certain that the bargain offer is genuine and truthful. Doing so will serve their own interest as well as that of the public.

New Or Rebuilt

The FTC issued a policy statement, January 4, 1969, concerning merchandise that has been used by purchasers on a trial basis, returned to the seller, "refurbished" and then resold as new. Usually, no disclosure of previous use is made to the ultimate purchaser.

The FTC stated that the consuming public has a preference for new or unused products compared to those that have been previously used. Qualitative equivalence does not change the fact that substitution of a used product for a new one without disclosing such fact is unlawful. Clear and conspicuous disclosure of prior use must be made in all the marketer's advertising, sales promotional literature and invoices concerning the product, on the container in which the products are packed and, if the product has been refurbished or otherwise has the appearance of being new, on the product with sufficient permanency. The FTC suggested that the marketers of products maintain adequate inventory control records to enable them to demonstrate that returned merchandise applies only to merchandise that has been used, and not to merchandise that has merely been inspected but not used.

Subject to varying circumstances, a tentative outer limit of six months has been established for designating a product as **new**.

"New" after period of time.—The time period during which a particular product may be called "new" will depend upon circumstances and is not subject to precise limitations. Considering the absence of precedent, the Commission thought it preferable to establish a tentative outer limit for use of the claim "new," namely, six months. The general rule would apply, unless exceptional circumstances warranting a period of time either shorter or longer than six months were shown to exist. *Advisory Opinion No. 120.*

After reconsidering its tentative six month limit on the permissible period of time during which a product may be called "new" the Commission stated that the rule had not been in effect long enough to determine whether a change would be required but added that a marketing program which lasts for more than six months and covers less than 15% of the population would not disqualify an eventually widely marketed product from being called "new." *Advisory Opinion No. 146.*

It was deceptive to market as "new" ten-year-old equipment even though the equipment had never been used and was still in the original shipping cartons. The company was not the original manufacurer and had recently been licensed to manufacture similar equipment. *Advisory Opinion No. 325.*

Reference books should not have been described as new when they were composed in substantial part of material reprinted from another, or as up-to-date when based on statistics over 15 years old and when terminal dates for histories go back approximately ten years. The FTC said in its opinion:

"That use of the terms 'new' or 'completely new' to designate a reference publication composed in substantial part of material reprinted from another being contemporaneously marketed under another title has the capacity and tendency to deceive is therefore obvious, and requires no further comment. On the other hand, the order contained in the initial decision appropriately recognizes the respondents' right to make truthful and nondeceptive statements in the future respecting newness in the manner of presenting constituent information.

"Whereas the book has a 1957 copyright and introductory material identifies it as complete in scope and up-to-date in statistics and population figures, it appears from their testimony that the census data used in many instances were those for the year 1940. Also, the terminal dates for certain of the political and economic histories on foreign countries go back to the late 1940's and early 1950's."

"New" to marketing area.—In advertising "newness" the implication is that the product is new, i.e., "recently invented, discovered or developed," not that it is new to the marketing area. Therefore, an examiner's order

providing that if a product is new in a marketing area but not known in another a company may advertise the product as "new" in the area in which it is not yet known for a period of one year was incorrect.

Rebuilt: An article to be advertised as *rebuilt* must be rebuilt in a factory engaged in such rebuilding or the original manufacturer's factory. Missing or worn parts must be replaced with new, not reprocessed parts.

Free –Effective December 16, 1971

Rule: Qualifying terms, conditions and obligations should be "set forth clearly and conspicuously at the outset of the offer so as to leave no reasonable probability that the terms of the offer might be misunderstood . . . in close conjunction with the offer of "free" merchandise or service."

- Footnote or cross-reference is expressly prohibited.
- Synonyms of "free" (such as "bonus," "gift," etc.) are expressly covered by the rule.

Exception: Main display panel of a label or a package is exempt if:

– the notice doesn't constitute an offer or identify the 'free' item,

– reference is made as to where required disclosures can be found on the package or label,

– no purchase or consideration is involved in finding out the terms and conditions of the offer, and

– the notice or offer is not otherwise deceptive.

Interpretations:

Each promotional component must stand on its own

– including each side of the envelope

– including each separate panel of a brochure

except:

(a) detachable stubs have been accepted as long as they
- mention enrollment requirement, if any
- mention negative option features, if any, and
- lead into text that fulfills requirements.

(b) a continuing several-page letter is taken as one component

(c) FREE BOOK CERTIFICATE is acceptable as a title for a coupon or order card, if it does not mislead or deceive.

Order card of the mailing piece must contain all terms of the offer, since this is the advertiser's contract with the customer

except:

Order coupon of space ad must not compress the terms into fine print. Therefore, coupon could refer to terms in the ad (outside of the coupon), and the terms must be in a prominent place in the ad *in type easily noticeable by the public*.

"Free trial offers" are acceptable, if they clearly imply payment after expiration period and all other terms are ascertainable elsewhere in the piece. "Free for 14 day trial period" seems safe but return obligation added would be even better. "Yours free just for looking at . . " is unreasonably risky.

Type size. Disclosure must be *in type easily noticeable to the public*, as well as *clear and conspicuous* in a "prominent position" and *not in a footnote*. In space ads it should be no smaller than the predominant body copy.

Several states and New York City require that "free" not be larger than twice the size of the explanation.

Sweepstakes

Although the FTC has not issued a rule or advisory opinion on sweepstakes, it does take an ongoing interest in their conduct, as does the USPS.

Practioners must be aware that the Postal Service's regulations prohibit lotteries by mail and that a sweepstakes is legally considered a lottery, if it contains all three elements used to define a lottery: chance, consideration and prize.

Many of the 50 states have laws concerned with sweepstakes. These range from outright prohibition of a sweepstakes mailing being sent to the state's citizenry to the issuing company having to post a bond to guarantee that the prize money or money to purchase prizes does, in fact, exist. Other state laws prohibit a sweepstakes winner from receiving his prize through the mail—he must, instead, receive it physically.

Because of the complexity of state regulations governing sweepstakes, all companies considering their usage would be well advised to consult their own attorneys and a competent company specializing in sweepstakes.

As an assistance to its members, DMMA has drawn up a set of guidelines for their conduct which are reprinted below:

DMMA Guidelines for Self Regulation of Sweepstakes Promotions

As any advertisement must first attract attention, the sole function of sweepstakes is to sufficiently capture the prospective customer's interest so he will read the rest of the promotion which offers a product or service.

However, since the sweepstakes component accompanies the product advertising portion of the promotion, it must enhance, not impair, consumer good will. The fact that one is being offered something for nothing does not necessarily preclude that the manner in which it is done may leave him with a feeling of distaste suggesting there is something improper or unfair about it.

The following guides have been prepared as an aid to those who design, operate or use sweepstakes promotions, and no implication is intended that failure to observe them would, in any way, be a legal violation. Their concern is simply with public satisfaction and good will.

Definition

A sweepstakes, as used here, means any advertising or promotional device by which items of value (prizes) are awarded to members of the public by chance and without consideration.

Clear and Conspicuous Disclosure of Rules

It is essential, if members of the public are to feel they have been dealt with fairly, that the rules of the sweepstakes and all conditions and terms which will govern the award of its prizes, be stated thoroughly and understandably to them. This should be done at the time they are invited to take the first step necessary toward receiving an award. In that way they will be spared undertaking any effort if they don't like the rules of the game.

It is not feasible to derive a definite and precise formula for describing the term "clear and conspicuous". In principle, however, terminology should be simple, non-technical and unambiguous. Typography—in size, style, and location—should be such that one cannot view the promotion piece for more than a few seconds without seeing that the rules and conditions are there to be read, if he chooses to do so, and that such reading can be done easily. If the designer of the promotional materials starts from the premise that it is important and to his advantage to have the reader wholly understand the rules from the outset, and if he is willing to resolve all doubts as to graphics to achieve that result, he will know how to do it.

Elements common to sweepstakes that should be disclosed, in addition to any others which may be peculiar to a particular promotion, are:

1. That no purchase of the advertised product or service is required in order to win a prize.
2. Any boxes or other devices used for registering the participant's election to purchase or not to purchase the promoted product or service; those for the negative should be equally conspicuous with those for the affirmative.
3. The nature of the prizes in each prize category.
   - Awards given to persons by virtue of their having entered a sweepstakes, and not as part of the same process and procedure by which major prizewinners are selected, shall not be represented as prizes, either directly (i.e., by name or other characterization) or by implication (e.g., as by assigning

matching numbers to them or by referring to them as items to be won rather than given).

- No award shall be described as a prize unless it has an approximate retail value of at least $1.00.
- No award, whether a prize or a gift, shall be held forth directly or by implication as having substantial monetary value if it is of only nominal intrinsic worth.

4. The total number of prizes in each category.
5. The approximate odds of winning a prize if such odds can be reliably calculated prior to the beginning of the sweepstakes.
6. The geographic area covered by the sweepstakes.
7. The termination date for eligibility in the sweepstakes, and whether this is a date of mailing or receipt of the entry.
8. Any other conditions under which a participant would not be given an award to which he would otherwise be entitled.
9. The identity and address of a specific addressee to whom inquiries concerning the sweepstakes may be directed.
10. That the sponsor reserves the right to take all steps reasonably calculated to verify that winners are, in fact, qualified and entitled to receive their awards.

Selection of Winners

Winners should be selected in a manner that ensures fair application of the laws of chance according to the published rules and conditions of the particular sweepstakes.

Prizes

All prizes described in the promotional material, or resources sufficient to assure their award, should be set aside prior to the beginning of the sweepstakes and be kept segregated until utilized for the awards.

All such prizes shall be awarded as part of the sweepstakes.

Record Keeping and Disclosure

For a period of three years after the published termination date for entries in the sweepstakes records shall be kept of:

- the approximate number of entries distributed;
- the total number of prizes advertised in each category;
- the approximate number of participants;
- the name and address of each winner of a prize having an approximate retail value in excess of $10, together with a description and the approximate retail value of the prize to each;
- the method by which winners were determined.

Properly authorized governmental representatives shall have access, on a confidential basis, to anything contained in these records.

Members of the public who submit a request, accompanied by a self-addressed stamped envelope, should be provided a complete list of winners whose prizes have an approximate retail value of $25 or more and where the promotional literature clearly and conspicuously states that the names of winners will be made public, on request. Where the promotional literature does not so state, the list should also be provided, on request, except that it should omit the names of those winners who, within a reasonable time after being notified that they have won, request that their names not be made public.

Delayed Delivery Of Mail Order Merchandise (30-Day Rule)

Violation of this FTC rule, which went into effect on February 2, 1976, is an unfair method of competition and a deceptive practice. The rule started in 1971 as the 21-Day-Rule which required a notice in every ad of the expected shipment date.

Does not apply to: subscriptions after the first issue; services connected with the sale of merchandise; seeds and plants; C.O.D. orders; negative option clubs; or credit transactions where the seller does not charge the buyer's account prior to shipment; and photoprocessing.

The Rule:
Unless there is a reasonable basis to believe goods will be shipped within 30 days of receiving a properly completed order, an advertisement must include a clear and conspicuous notice of the time in which the seller expects to make shipment. If no statement is made, the rule implies shipment will be made within 30 days.

The rule provides procedures for buyers to be able to cancel for delayed delivery and get a refund.

When to include a statement of expected shipment date in your ads?

Unless there is a reasonable basis (past experience) to believe that shipment can be made within 30 days, direct marketers must clearly and conspicuously state a time in which they expect to make shipment. A statement such as "Please allow eight weeks for delivery" is an example of a proper notice of expected shipment. The rule does not permit the seller to state, "Shipment will be made as soon as possible".

When does the 30-day period start?

Upon receipt of a properly completed order. With any sale, the 30 days start when an order is received containing all the information needed to process and ship the order.

Cash sales: when the seller gets full or partial payment with an order.

Credit sales: when the seller charges the buyer's account (not defined by the rule).

Notice of Delayed Shipment
If shipment cannot be made within the implied 30-day period, or the stated period, a notice of revised expected shipment date *must* be sent to the buyer:

- by first class mail before expiration of the original 30-day period.
- with a postage-paid reply form for the buyer.
- notifying him of the revised shipping date and offer the option of consenting to the delay or of cancellation and a refund.
- informing him that unless the seller receives—prior to shipment and expiration of the revised date—a response rejecting the delay, the buyer will be deemed to have consented to the delayed shipment.

Delay of 30 Days or Less
No reply by the buyer means acceptance of the new delivery date.

Delay of More than 30 Days
No reply within the 30-day period must be treated as a request for cancellation and refund. If the revised shipping date cannot be met, a second notice must be sent offering the buyer the same options. With the second notice, no reply within 30 days requires a cancellation and refund (unless shipment has been made).

Refund
Cash sale: sent within seven working days of receipt of a request for cancellation or the date of implied cancellation, by first class mail. It must be with a check, cash or money order and cannot be a credit slip on other merchandise.

Credit sale: removal of the charge on the buyer's account must be within one billing cycle from receipt of the request for cancellation or the date of implied cancellation.

Systems of Compliance
The rule requires records, or other documentary proof, establishing that systems and procedures assure shipment in the ordinary course of business in the time period advertised; or, if none is stated, within the implied 30-day period.

Lack of documentary proof of an established system, raises a rebuttable presumption; namely that the seller lacked a reasonable basis for any expectation of making shipment within the implied or stated time.

Answers To Most Commonly Asked Questions About The "Mail Order Merchandise" Rule

Why did the Federal Trade Commission promulgate this regulation?

The Commission felt that the quantity of complaints they had on hand, in addition to reports they were receiving from various consumer affairs offices in states around the country, indicated there was a widespread failure of consumers to receive merchandise in the time they expected to receive it or to get answers to inquiries about where that merchandise was or how long the delay would last. In fact, a good number of complaints dealt with non-delivery rather than with delayed delivery, and thus involved companies that were out of business, illegitimate, etc.

The rule only covers solicitations I make by mail, right?

WRONG! Test is for merchandise to be ordered by the buyer through the mails. Solicitations by space advertising, radio, television, catalogs, etc., that are asking for mail order purchases are also included within the rule.

What does the rule require me to do in my solicitation?

You must indicate when you expect to be able to ship the order and you must have a reasonable basis to make that representation. If you do not indicate a time period, it is assumed you are promising to ship within 30 days of receipt of a properly completed order. When you don't state a time you also have to have reasonable basis to believe 30 days will be the shipment time.

How can I announce expected shipping time in a catalog where the delivery time may vary greatly depending on the item? Do I have to put an expected delivery time to each item?

You will be interested to know that the FTC doesn't consider this to be a major problem. They suggest that in most catalogs the great majority of items will be delivered in a time frame that could be on the order form. Those items that take longer should be referenced in some way and the delivery time also indicated in a conspicuous place.

Does the rule apply as soon as the order is received?

Yes, but remember the rule doesn't just say "order." It says receipt of a *properly completed order* from the buyer. The rule indicates that a properly completed order takes place when the seller receives full or partial payment with an order containing all the information the seller needs to process or ship the order. Thus, you would not be responsible for orders that are illegible, have an incomplete name or address, or in some other major way are incomplete. It is wise to retain those incomplete orders so you are able to demonstrate to the Commission how often such an occurrence takes place, and to protect yourself if a consumer who sent in an incomplete order then proceeded to complain to the FTC. It is also ill-advised to cash checks received in such orders.

What happens when a check or money order remitted by the buyer is dishonored or in some other way doesn't qualify for a credit sale?

This would not be a properly completed order until the time at which: (1) the seller receives notice that a check or money order for the proper amount tendered by the buyer has been honored; (2) the buyer tenders cash in the proper amount or you receive notice that the buyer does qualify for a credit sale.

Are magazines covered by the regulation?

The first issue of a magazine is covered by the regulation but the rule does not apply to subsequent deliveries since the FTC could find no basis for a problem in this area. Problems were with the commencement of magazine subscriptions.

Are premium offers covered by the rule?

Yes. The FTC refused to accept arguments that the item involved is often valued at less than $10 and that notification of a delay requirement would almost destroy the premium advertising business. They indicate that 43% of the items for which they had complaints sold for less than $10.

What about specialty items?

Specialty items such as calendars, pens, ashtrays, etc.—and usually not sold to the general public—are still covered by the rule.

What about sales between businesses?

The FTC contends that the record demonstrates that businessmen have encountered the same problems as the general public when dealing with mail order and that "there is no compelling reason to treat them differently from other members of the consuming public".

Does the rule apply to customized or made-to-order merchandise?

They too must comply with the regulation.

Are services connected with merchandise covered by the rule?

No, they are not. However, the Commission has indicated that businessmen should not regard the fact that services are not covered, to be interpreted as a finding "by the Commission that mail order services connected with a merchandise are not subject to abuses which constitute violations of the Federal Trade Commission Act or as a statement that the Commission will not address any such abuses in the future".

What other types of merchandise or orders are not covered?

The regulation does not apply to orders of seeds and growing plants, C.O.D. orders nor transactions that are already governed by the Federal Trade Commission's Trade Regulation Rule entitled, "Use of Negative Option Plans By Sellers in Commerce". In addition, the mail order photofinishing industry is exempt.

Are credit transactions covered?

Yes, in those cases in which the seller has charged the buyer's account prior to shipment. There is disagreement if this means that those who do not bill a customer until they ship the merchandise are covered by the regulation. Current indications are that they are not covered by the regulation.

What must I say in my solicitation?

You must indicate the time in which you can have a reasonable basis to expect to make shipment. If you don't make such an indication, the assumption will be that you have promised shipment within 30 days. The time stated must be clear and *conspicuous*. If you don't indicate a time you must have a reasonable basis to believe you can make delivery in 30 days.

What does reasonable basis mean? How do I establish I had a reasonable basis?

You draw on past experience from your fulfillment operation and operation schedules, among other possibilities. You must have records to indicate your expectation was indeed a reasonable one.

What does the Federal Trade Commission mean by "clear and conspicuous"?

The rule does not indicate. Good judgment is necessary to avoid violating the spirit of the regulation. The Commission could conceivably clarify points such as this one in the months ahead.

When I realize I am not going to be able to ship the merchandise within 30 days, or the length of time I indicated in my solicitation, when must I send the customer the delay notice?

The notice—giving the buyer the option to consent to the delay or cancel the order and receive his refund—must be made within a reasonable time after you realize you are unable to meet the commitment but not later than the time set forth in your solicitation, or 30 days if no time is stated.

What is required of me in my delay notice?

You should use a business reply device. You must have a reasonable basis for the revised shipping date you give. If you don't have a reasonable basis for making any representation regarding a definite revised shipping date, you must inform the buyer of the reasons for the delay.

You said you should use a business reply postage paid device. Is a postage prepaid device or business reply mail the only way to get permission of a delay or give the buyer the option to cancel?

Not really. Even though the rule establishes a rebuttable presumption that, failure to provide the buyer with a business reply mail or postage prepaid device, implies the company has failed to provide adequate means to notify or cancel. However, the Commission has indicated this is their way of providing guidance. It does not prohibit sellers from providing other means which are of *equal or superior efficacy* to the method prescribed by the rule.

Once I determine I will be unable to deliver on time, must I proceed with the option cards, etc., or can I just cancel the order?

No. The rule does not deny you the right to cancel a buyer's order and refund his money rather than go through the option procedures, but state laws may and your legal counsel should check.

When my first delay notice is sent out, what happens when I don't hear back from the customer?

When the delay notice contains a revised delivery date not more than 30 days from the original time you promised, failure to hear from the customer means he has consented to the delay.

What if I was unable to give him a definite revised shipping date or I gave him a date more than 30 days in my option card?

Failure to hear from the customer still allows you 30 extra days from the time you originally promised in your solicitation. After those 30 extra days you must then deem the order cancelled, and refund the money, if you have not received express consent or not been able to ship.

Can I ask the buyer to consent to an indefinite delay?

Yes. However, the rule gives him a continuing right to cancel the order *at any time* prior to the point you actually have made shipment, as long as it is after any date to which he previously agreed.

Can I go back to the customer again and ask for a further delay if my second revised shipping date also ends up being wrong?

Yes you can. In "multiple delay" situations, the seller cannot construe silence of the buyer as consent to further delay.

When a refund to the buyer is necessary, what exactly is the definition of a refund? Would a credit voucher suffice?

No. If the buyer has sent full payment in the form of cash, check or money order, the money must be returned in that form. If it was a credit sale, and the seller is the creditor, a copy of a credit memorandum or an account statement which reflects the removal or absence of any remaining charge is necessary. If a third party is the creditor, the seller must send a credit memorandum or similar document to the third party creditor, to remove the charge, with a copy to the customer. Another method would be to have a statement from the seller acknowledging the cancellation of the order and relating that "no action" will be taken regarding the order which would result in a charge to the buyer's account with the third party.

What does the term "prompt refund" mean?

It depends. If the seller is making a refund in cash, check or money order, it must be sent to the buyer by first class mail within seven working days of the date on which the buyer's right to the refund began. In the case of a refund, when the purchase was made by credit and the seller is the creditor or there is a third party creditor, the refund must be sent to the buyer by first class mail within one billing cycle from the date on which the buyer's right to the refund began.

What do I do in states that have their own delayed delivery rule which is not consistent with the FTC rule?

The rule does not diminish any rights or remedies provided to consumers by any state law, municipal ordinance, or other local regulation insofar as those rights or remedies are equal to or greater than those provided by the FTC rule.

Dry-Testing

Another area of FTC concern is the practice of *dry testing*. Dry-testing is a term used in the trade to describe the practice in which the marketer disseminates promotional material by mail to members of the general public offering a product which the marketer has not yet manufactured or obtained. Whether the product is actually sold will depend on the size of the response to the solicitation.

On March 27, 1975, the FTC issued an advisory opinion on this subject. It allows dry-testing under very *strict guidelines* insuring that the potential customer is in no way misled about the terms of the offer.

Although a number of years have passed since the issuance of this opinion, the FTC has neither recalled it nor issued another in its place. Therefore, it is reprinted below in its entirety.

The Federal Trade Commission has answered a request for an advisory opinion from Wentworth Press, Inc., 231 East 51 St., New York City, regarding the propriety of "dry-testing" and "bulk-loading" a continuity book series by mail order. The Commission vote was unanimous.

The text of the Commission's letter of advice follows. The material submitted by the requesting party is available for public inspection at the FTC's Division of Legal and Public Records, Washington, D. C. 20580.

March 27, 1975

Ms. Jacqueline Hunter
Vice President
Wentworth Press, Inc.
231 East 51 Street
New York, New York 10022

Re: Mail Order Continuity Book Series

Dear Ms. Hunter:

This is in response to the request submitted by Wentworth Press for an advisory opinion concerning the propriety under the Federal Trade Commission Act of "dry-testing" and "bulk-loading" a continuity book series by mail order.

It is the Commission's understanding that Wentworth is an editorial packaging house that prepares the layout and performs other editorial services for publishers who market continuity book series by mail order. Wentworth assists in the preparation of the promotional material for a continuity book series and the book series itself. A continuity book series is a set of multiple volumes, related by subject matter, sent at period intervals to subscribers. Generally, each book is sent on approval, and may be returned by the subscriber. A bill accompanies each book.

Wentworth is considering entering into contracts with marketers which would involve the use of dry-testing various continuity book series. As defined by the requester, dry-testing is a practice in which the marketer disseminates promotional material by mail to members of the general public soliciting subscriptions to a continuity book series, before the books have been published. Whether or not the book series is actually published depends upon the size of the response to the solicitation. Wentworth's first question is whether such dry-testing of a book series is permissible under the Federal Trade Commission Act and rules and regulations promulgated thereunder.

Wentworth's second question involves the legitimacy of "load-ups" through the mail. Under the proposed plan, the marketer would initially send a single volume of the continuity book series to subscribers each month. Each volume would, in effect, be received on an approval basis; subscribers could review each volume individually, and decide whether to accept or reject it. Subscribers would be billed each month for each volume accepted. In a "load up," the subscriber is notified by the marketer, during the course of the series, that the remaining volumes are available and will be sent at one time in a bulk shipment, if the customer so desires. A customer accepting the bulk shipment would continue receiving monthly bills for individual volumes.

On basis of its understanding, the Commission does not object to the use of dry-testing a continuity book series marketed by mail order as long as the following conditions are observed:

(1) No representation, express or implied, is made in advertisements, brochures, or other promotional material, which has the tendency or capacity to mislead the public into believing that the books have been or will definitely be published, or that by expressing an interest in receiving the books a prospective purchaser will necessarily receive them.

(2) In all solicitations for subscriptions and other promotional material, clear and conspicuous disclosure is made of the terms and conditions of the publication, distribution, and other material aspects of the continuity book series program. Such disclosures must provide adequate notice of the conditional [illegible] publication of the book series, *i.e.*, the fact that the book series is only planned and may [illegible]ly be published.

(3) [illegible]ision is reached not to publish the book series, due notice is given to persons who have subscribed within a reasonable time after the date of first mailing the solicitations for subscriptions. The Commission considers four months or less to be a reasonable time, unless extenuating circumstances exist. If the decision on whether or not to publish the book series has not been made within that time period, persons who expressed a desire to subscribe should be notified of the fact that a decision has not yet been reached, and should be given an opportunity to cancel their orders.

(4) There is no substitution of any books for those ordered.

This opinion is not intended to affect the application of any state law which places stricter requirements upon mail order marketers or affords greater protection to consumers.

As to the question regarding the legitimacy of sending the remaining volumes of a continuity book series in a bulk shipment to a subscriber after several volumes have been shipped and billed for singly, upon notice and an opportunity to reject the proposed bulk shipment before it is made, the Commission refers your attention to two recent consent orders: *Cadence Industries Corp.*, C-2508 (March 25, 1974), and *Crowell Collier and Macmillan, Inc.*, C-2394 (May 1, 1973). In these consent orders, the respondents agreed, among other things, to make no representations in promotional material that a participant in a continuity book program has the option of receiving each publication individually, at prescribed intervals and accepting or rejecting it, unless such is the case. These consent orders also require a clear and conspicuous disclosure be made in any advertisement promoting the book program of the conditions and terms of the program and the duties and obligations of any subscriber.

By the direction of the Commission.

Charles A. Tobin
Secretary

Negative Option Rule—Effective June 7, 1974

The FTC originally proposed to ban entirely the negative option mode of selling. Some Commission members thought it an unfair practice to take commercial advantage of human tendencies towards procrastination and guilt for not returning the no-merchandise card.

In response to the proposal to ban negative option selling, DMMA, together with its members, worked up an alternative proposal and the FTC adopted this alternate rule, June 7, 1974, with some changes, which gave us the rule as it is today.

Mandatory disclosures and practices

1. All promotional material must clearly and conspicuously state the material terms of the plan, including:
   - frequency of offers—maximum in 12 months
   - method of rejecting offers
   - minimum quantity of merchandise customer is obligated to buy
   - right to cancel
   - whether billing charges include postage and handling
   - customer will have at least ten days to reject any offer
   - if customer had less than 10 days, account will be credited for returned merchandise
2. The member must be given at least 10 days to reject an offer.
3. Seller must give full credit and pay postage for items returned by members not obligated to receive them. Seller must guarantee return postage either to the subscriber or to the Postal Service.
4. Introductory and bonus merchandise must be shipped within 4 weeks of order, under ordinary conditions.
5. The announcement must contain or accompany a form clearly and conspicuously disclosing the procedure required to reject the selection.

Some question remains whether sales tax, if charged, must be disclosed, along with postage and handling. Considered opinion is that it is safer to include a statement in this regard, both under this Rule and, generally, in order not to be misleading.

State Regulations

Each state has the right to legislate and enforce legislation with regard to negative option selling. The alternate proposal put forth by DMMA and its members recommended making the FTC rule preemptive of state regulation, but that aspect of the proposal was not adopted.

New York State, for example, requires that all material terms be disclosed in close proximity to each other and either: (1) in close proximity to the offer; or (2) in a prominant place in the advertising and in type easily noticeable by the public. The type size should be as large as the predominant body copy.

Summary

The growth of consumer awareness has made customers suspicious of all types of merchandising. Compliance with this rule by those direct marketers using this type of offer—such as book and record clubs—may well prevent or delay adoption by the states of a ban on negative option selling.

Guarantees—Effective April 26, 1960

Determining violations.

In determining whether terminology and direct or implied representations concerning guarantees, however made, i.e., in advertising or otherwise, in connection with the sale or offering for sale of a product, may be in violation of the Federal Trade Commission Act, the following general principles will be used:

Guarantees in general.

In general, any guarantee in advertising shall clearly and conspicuously disclose—

(a) The nature and extent of the guarantee.

This includes disclosure of—

(1) What product or part of the product is guaranteed,

(2) What characteristics or properties of the designated product or part thereof are covered by, or excluded from, the guarantee,

(3) What is the duration of the guarantee,

(4) What, if anything, any one claiming under the guarantee must do before the guarantor will fulfill his obligation under the guarantee, such as return of the product and payment of service or labor charges; and

(b) The manner in which the guarantor will perform.

This consists primarily of a statement of exactly what the guarantor undertakes to do under the guarantee. Examples of this would be repair, replacement, refund. If the guarantor or the person receiving the guarantee has an option as to what may satisfy the guarantee this should be set out; and

(c) The identity of the guarantor.

The identity of the guarantor should be clearly revealed in all advertising, as well as in any documents evidencing the guarantee. Confusion of purchasers often occurs when it is not clear whether the manufacturer or the retailer is the guarantor.

Prorata adjustment of guarantees.

(a) Many guarantees are adjusted by the guarantor on a prorata basis. The advertising of these guarantees should clearly disclose this fact, the basis on which they will be prorated, e.g., the time for which the guaranteed product has been used, and the manner in which the guarantor will perform.

(b) If these guarantees are to be adjusted on the basis of a price other than that paid by the purchaser, this price should be clearly and conspicuously disclosed.

Example:"A" sells a tire with list price of $48 to "B" for $24, with a 12 months guarantee. After 6 months use the tire proves defective. If "A" adjusts on the basis of the price "B" paid, $24, "B" will only have to pay one-half of $24, or $12, for a new tire. If "A" instead adjusts on the basis of list price, "B" will owe one-half of $48, or $24, for a new tire. The guarantor would be required to disclose here the following: That this was a 12 months guarantee, that a list price of $48 would be used in the adjustment, that there would be an adjustment on the basis of the time that the tire was used, and that he would not pay the adjusted amount in cash, but would make an adjustment on a new tire.

NOTE: Guarantees which provide for an adjustment based on a fictitious list price should not be used even where adequate disclosure of the price used is made.

"Satisfaction or Your Money Back" representations.

(a) "Satisfaction or Your Money Back", "10 Day Free Trial", or similar representations will be construed as a guarantee that the full purchase price will be refunded at the option of the purchaser.

Example: A rose bush is advertised under the representation "Satisfaction or Your Money Back". The guarantor requires return of the product within 1 year of purchase date before he will make refund. These limitations, i.e., "return" and "time" shall be clearly and conspicuously disclosed in the ad.

Lifetime guarantees.

If the words "Life", "Lifetime", or the like, are used in advertising to show the duration of a guarantee, and they relate to any life other than that of the purchaser or original user, the life referred to shall be clearly and conspicuously disclosed.

Example: "A" advertised that his carburetor was guaranteed for life, whereas his guarantee ran for the life of the car in which the carburetor was originally installed. The advertisement is ambiguous and deceptive and should be modified to disclose the "life" referred to.

Savings guarantees.

(a) Advertisements frequently contain representations of guarantees that assure prospective purchasers that savings may be realized in the purchase of the advertiser's products.

(b) Some typical advertisements of this type are "Guaranteed to save you 50%", "Guaranteed never to be undersold", "Guaranteed lowest price in town".

(c) These advertisements should include a clear and conspicuous disclosure of what the guarantor will do if the savings are not realized, together with any time or other limitations that he may impose.

Example: "Guaranteed lowest price in town" might be accompanied by the following disclosure:

"If within 30 days from the date that you buy a sewing machine from me, you purchase the identical machine in town for less and present a receipt therefor to me, I will refund your money".

Guarantees under which the guarantor does not or cannot perform.

(a) A seller or manufacturer should not advertise or represent that a product is guaranteed when he cannot or does not promptly and scrupulously fulfill his obligations under the guarantee.

(b) A specific example of refusal to perform obligations under the guarantee is use of "Satisfaction or your money back" when the guarantor cannot or does not intend promptly to make full refund upon request.

Guarantee as a misrepresentation.

Guarantees are often employed in such a manner as to constitute representations of material facts. If such is the case, the guarantor not only undertakes to perform under the terms of the guarantee, but also assumes responsibility under the law for the truth of the representations made.

Example 1: "Guaranteed for 36 months" applied to a battery is a representation that the battery can normally be expected to last for 36 months and should not be used in connection with a battery which can normally be expected to last for only 18 months.

Example 2: "Guaranteed to grow hair or money back" is a representation that the product will grow hair and should not be used when in fact such product is incapable of growing hair.

Example 3: "Guaranteed lowest prices in town" is a representation that the advertiser's prices are lower than the prices charged by all others for the same products in the same town and should not be used when such is not the fact.

Example 4: "We guarantee you will earn $500 a month" is a representation that prospective employees will earn a minimum of $500 each month and should not be used unless such is the fact.

Warranties

The FTC is the federal agency empowered by *The Magnuson-Moss Warranty Act* (Effective July 4, 1975) to issue rules, regulations, statements and interpretations of the Act. By the close of 1978, the Commission had already issued three rules:

- Part 701—Disclosure of Written Consumer Product Warranty Terms and Conditions—Effective December 31, 1976.
- Part 702—Pre-Sale Availability of Written Warranty Terms—Effective December 31, 1976.
- Part 703—Informal Dispute Settlement Mechanisms—Effective July 4, 1976.

The Warranty Act, and FTC's rules, apply only to *written* warranties covering consumer products. Whenever a product is sold with a written warranty that promises a product is defect-free, or will meet a certain level of performance for a specific time period, or that the warrantor will take a specified action if a product fails to live up to the warrantor's promises about it, the warranty is governed by the Act.

No one is required to give a written warranty. Minimum duration for a warranty is not required.

If the mail order seller and the retailer offer written warranties, the FTC rules require that they be made available to the consumer prior to the sale. Many of the restrictions imposed by the rules apply only to the manufacturer. If, however, the ultimate seller (whether an over-the-counter retailer or mail order seller) adds its parts and labor warranty on a product (such as a TV set) to the manufacturer's warranty, both must comply with the rules.

The rules cover in detail such subjects as:

- Depending upon product's price, there are varying degrees of responsibility; $5 is the minimum price covered.
- The guarantor must specify whether the warranty is "Full" or "Limited" for all products costing $10 or more to the consumer. Each of these designations has its own requirements.
- A written warranty may *not* require the consumer to use a branded or trademarked product or service. Statements such as "the product must be serviced by an 'authorized ____________________ dealer'" are prohibited.
- The written warranty must state, in clear and unmistakable language, the duration of the warranty and must be printed prominently on its face.
- Exclusions or limitations must also be printed on the face of the warranty clearly. In many states exclusions or limitations are either restricted or prohibited. Care must be taken to comply with such state regulations.
- Mail order sales encompass both radio and television advertisements which include instructions for ordering a product by mail or telephone. Therefore, it is necessary to provide information in these advertisements on where the warranty may be obtained.
- Catalogs or mail order solicitations must disclose for each warranted product either the full text or a notice where the warranty may be obtained upon written request. This information must be located on the same page or the facing page or in a clearly referenced information section of the catalog.
- Rule 703 describes, in detail, the mechanisms required to settle disputes. It covers such items as: seals of approval, owner registration cards, record-keeping, individual dispute records, statistical reporting requirements, annual audit—its nature and distribution, confidentiality, etc.

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Legislation . . . Federal and State

Importance of Congressional Relations

Even though the Postal Reorganization Act of 1970 took the Postal Service out of politics, close attention to Congress and legislative initiatives is important to all direct marketers.

Not only can postal legislation make a significant impact, but actual and potential legislation in areas such as state taxation of interstate commerce, telephone marketing, mailing lists, credit, advertising, charity fundraising, postal monopoly statutes and others deserves close attention by direct marketing.

In the 95th Congress, for example, legislation was introduced which would have had a deleterious affect on the ability to use mailing lists. The bill was not introduced in the 96th Congress, but the potential danger always exists.

In the 96th Congress, many legislative issues of direct interest to direct marketing were considered. H.R. 79, for example, would have substantially increased public funding for the Postal Service as well as made significant structural changes. While this bill did not pass, our strong position in favor of it did help later efforts to ameliorate the impact of substantial budget cuts on the Postal Service. DMMA also testified in favor of a bill which would strengthen the Postal Services' hand in preventing false, misleading, and fraudulent material from being sent through the mail. Other legislation on which we expressed our views dealt with taxation of interstate commerce and the use of mailing lists by companies granting credit.

These are but a few examples of important legislation to the industry. Even if no legislation were pending, however, it is important to inform your Senator or Representative of your interests and concerns to help head off bad legislation even before it starts.

What Can Be Done?

DMMA, as do other trade associations, maintains a Washington office responsible for representing the interests of its members in Congress and before federal agencies.

DMMA's GOAL Network—a group of members who are committed to help in Congressional contacts or to assist in contacting other members when quick communications about government activities is needed, or both—is a vital part of the Association's efforts. While it is important that joint efforts be made to achieve mutual goals, there are things direct marketers can also do on their own, whether at the federal or state level.

> **First.** Get to know your local representatives, or senators, and their staffs. It is not as hard to do as it may seem. Most representatives, senators and state assemblymen maintain local offices. Stop by and talk to them. Give the members and their staffs an opportunity to look at your business firsthand.
>
> Few legislators know much about direct marketing and its unique problems. Explain to them, in

person or by letter, how proposed legislation affects you. It will give you an opportunity to possibly have laid some groundwork when an important piece of legislation is next proposed.

Second. Learn something about the legislative process. A basic pamphlet, "How Our Laws Are Made," can be obtained from your representatives' offices. Although simplistic in style, it is a start. Too often, people become aware of critical legislation only after it is too late.

Third. Find out if your representatives, both federal and state, are on one of the legislative committees with jurisdiction over subjects of interest to you.

At the federal level, the House and Senate committees are crucial because it is there that legislation is drafted for action on the Congressional floor. Committees of particular interest to direct marketers include:

Postal
Committee on Post Office and Civil Service (House)
Committee on Governmental Affairs (Senate)

Communications
Committee on Interstate and Foreign Commerce (House)
Committee on Commerce, Science and Transportation (Senate)

Taxation
Committee on Ways and Means (House)
Committee on Finance (Senate)

Interstate Taxation
Committee on the Judiciary (House)
Committee on the Judiciary (Senate)

State Activities

Activities in state legislatures and administrations affecting mailing lists and direct marketing are becoming increasingly important. The same guidelines used in keeping up with Congressional activities should also be used in each state capitol. Also, many members of the GOAL network have agreed to help in state activities.

DMMA is in the process of strengthening its activities on a state level to provide an informational and lobbying capability in state capitols as the need arises. In addition, DMMA maintains a monitoring service to warn members of pending state legislation in several areas of concern.

Where To Get Information

There are literally thousands of information sources about the daily activities of Congress and the state legislatures. To obtain information about members of Congress, staffs of federal government agencies and departments you may wish to consult one or more of the following publications. Information regarding prices and publishers is contained in the *Bibliography, Appendix VI.*

The Congressional Directory
The Government Manual
The Congressional Staff Directory
The Almanac of American Politics
Washington Information Directory
The Congressional Record
The Congressional Quarterly
The National Journal

There are also good newsletters on almost any subject you may be interested in. Contact DMMA-Washington for suggestions about appropriate newsletters.

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Education

Direct Mail/Marketing Educational Foundation

The Direct Mail/Marketing Educational Foundation is an independent, tax-exempt organization, with a membership composed of all who contribute $250 or more annually toward its goal: *To improve the quality and scope of direct mail/marketing education at the university level.*

Since its start in 1965, the DMEF has concentrated its efforts on young people—the direct marketers, business executives and consumers of tomorrow—and on their teachers.

Its program includes *Collegiate Direct/Mail Institutes* (week-long institutes for carefully selected college seniors); one-day campus *seminars* and *symposiums*; *Faculty Fellowships*, which are all-expense fellowships to DMMA Institutes awarded to selected professors, department heads and deans in related disciplines; *course outlines; Learning Activities Programs; slide presentations* and other help for the faculty; *career booklets and career guidance* for students; *sponsorship of attendance* by both students and professors at Career Days at Fall and Spring Conferences.

The Foundation has five levels of support:

Member	– $ 250
Program Supporter	– $ 500
Scholarship Donor	– $ 1,000
Sponsor (with funds earmarked to support specific projects, if desired)	– $ 2,500 or more
Permanent Endowment Funds (typically a permanent scholarship for Collegiate Institutes or a permanent Fellowship for faculty)	– $10,000

Its 15-year track record is impressive:

- Over 1,100 students trained at week-long Collegiate Institutes
- Over 175 Faculty Fellowships to DMMA Basic Institutes
- Over 10,000 student and faculty day-long experiences at Career Days, Direct Mail Days and On-Campus Seminars
- Scores of sound/slide film prints and hundreds of course outlines distributed to colleges
- Many thousands of career folders distributed

Foundation activities have inspired scores of students to make direct mail or direct marketing part of their career objectives. Many have been able to obtain jobs with DMMA members and reports on their success are highly favorable. The Foundation assists the students in understanding the profession and, though not serving as an employment agency, circulates resumes of Collegiate Institute graduates and offers them some assistance in locating employment in the field.

Professional Education

People are the most important asset of any company because their contributions determine its success. Therefore, offering educational programs that help member company people develop and improve their contributions is a major Association goal.

The Direct Mail/Marketing Association's Institute and Seminar series offer continuing education programs on the Basics of Direct Mail, Finance, Lists, Copy and Art, Catalogs, Industrial Direct Mail and many other topical subjects.

Most educational and training activities take place in cities close to member company facilities. The programs offer valuable learning activities as well as opportunities for interaction with representatives of other companies.

Appendix I
Direct Mail/Marketing Association

1980/1981 BOARD OF DIRECTORS

*Loo, Lester B. "Dusty" (Chairman)
Chairman of the Board & Chief Exec. Officer
Looart Press, Inc.
3525 North Stone
Colorado Springs, CO 80901
(303-471-4910)

*Holt, John C. (Vice Chairman)
Senior Vice President
The Dun & Bradstreet Corporation
299 Park Avenue
New York, NY 10171
(212-593-6910)

*Hoffman, Alexander C. (Vice Chairman)
Vice President
Doubleday & Company, Inc.
245 Park Avenue
New York, NY 10167
(212-953-4810)

*Harper, C. Rose (Treasurer)
President
The Kleid Company, Inc.
200 Park Avenue – 7th Fl. East
New York, NY 10166
(212-599-4140)

*Dorney, Robert C. (Secretary)
President & General Manager
Day-Timers, Inc.
One Willow Lane
East Texas, PA 18046
(215-398-1151)

Blatch, Mari Ann
Vice President, Director/Consumer Affairs
The Reader's Digest Association, Inc.
200 Park Avenue
New York, NY 10017
(212-972-6352)

Bruno, Rosalie
Sr. Vice President, Circulation
Knapp Communications Corporation
5900 Wilshire Blvd.
Los Angeles, CA 90036
(213-937-5486)

Capps, William P.
Vice President & Circulation Director
Southern Living/Progressive Farmer/
Decorating & Craft Ideas
P.O. Box 523
Birmingham, AL 35201
(205-870-4440)

Casey, James J.
President
Eddie Bauer, Inc.
15010 NE 36th Street
Redmond, WA 98052
(206-882-6218)

Cooper, F. Joseph
Senior Vice President
JC Penney Life Insurance Company
2020 Live Oak
Dallas, TX 75221
(214-655-7150)

*Crutcher, Lawrence M.
Corporate Circulation Director
Time, Inc.
Time & Life Building
Rockefeller Center
New York, NY 10020
(212-841-3465)

*DeLay, Robert F.
President
Direct Mail/Marketing Association, Inc.
6 East 43rd Street
New York, NY 10017
(212-689-4977)

*Executive Committee Member

Gerardi, Alfred
Managing Director
Donnelley & Gerardi Gmbh Co KG
Pforzheimerstrasse 176
D-7505 Ettlingen
WEST GERMANY
(07243) 10-21

Hardy, Jerome S.
Jerome S. Hardy, Inc.
420 Lexington Avenue
Suite 2304
New York, NY 10017
(212-687-2592)

Hauguel, Daniel
President/Directeur General
Club Francais du Disque
26 rue Mogador
75009 Paris
FRANCE
(526-1456)

*Heneberry, David A.
Vice President, Marketing
RCA SelectaVision VideoDisc
30 Rockefeller Plaza
New York, NY 10020
(212-621-6576)

Hiersteiner, Walter L.
Executive VP & General Manager
Tension Envelope Corporation
819 East 19th Street
Kansas City, MO 64108
(816-471-3800)

Johnson, Henry A.
Chairman & CEO
Spiegel, Inc.
Regency Towers
Oak Brook, IL 60521
(312-986-7511)

Johnson, William C.
Executive VP & General Manager
Fingerhut Corporation
4400 Baker Road
Minnetonka, MN 55343
(612-932-3237)

*Executive Committee Member

Kunz, Peter L.
Sr. Vice President/Director of General
Catalog Sales
R. R. Donnelley & Sons Company
2223 South King Drive
Chicago, IL 60616
(312-326-7168)

MacDowell, William D.
President
W. Atlee Burpee Company
300 Park Avenue
Warminster, PA 18974
(215-674-4900)

*Mayne, Clifton P.
President
Lewis & Mayne, Inc.
645 Harrison Street – 3rd Floor
San Francisco, CA 94107
(415-543-7385)

Meyers, Robert L.
Sr. Vice President, Merchandise Sales
American Express Card Division
American Express Plaza
New York, NY 10004
(212-323-2855)

Mienik, John T.
President
Publishers Clearing House
382 Channel Drive
Port Washington, NY 11050
(516-883-5432)

*Muller, Robert S.
Vice President
McGraw-Hill, Inc.
1221 Avenue of the Americas
New York, NY 10020
(212-997-3885)

Ordover, Benjamin
President
Columbia House
A Division of CBS, Inc.
1211 Avenue of the Americas
New York, NY 10036
(212-975-5311)

Patterson, John R.
Vice President, Rotelcom
Rochester Telephone Company
100 Midtown Plaza, 4th Floor
Rochester, NY 14646
(716-921-2272)

Rapp, Stanley
President
Rapp & Collins, Inc.
475 Park Avenue South
New York, NY 10016
(212-725-8100)

Rhudy-Sonheim, Eileen
Vice President
Market Compilation & Research Bureau
11633 Victory Blvd.
North Hollywood, CA 91609
(213-877-5384)

Schultz, Frank L.
Frank Lewis Fruit Company
100 North Tower Road
Alamo, TX 78516
(512-787-9971)

Sevier, Helen
Executive Vice President
Bass Anglers Sportsman Society
P.O. Box 17900
Montgomer, AL 36141
(205-272-9530)

Tregaskis, Fred B.
Director, Marketing Services
Olan Mills, Inc.
1101 Carter Street
Chattanooga, TN 37401
(615-624-1949)

Tucker, Jo-Von
President
Jo-Von Tucker & Associates
3525 Cedar Springs
Dallas, TX 75219
(214-528-9210)

*Wunderman, Lester
Chairman
Wunderman, Ricotta & Kline, Inc.
575 Madison Avenue
New York, NY 10022
(212-752-9800)

Yeck, John D.
Yeck Brothers Group
P.O. Box 225
Dayton, OH 45401
(513-294-4000)

CONSULTANTS

Senator Frank Carlson
513 West Eighth Street
Concordia, KS 66901
(913-243-1480)

Kobak, James
James Kobak, Inc.
774 Hollow Tree
Darien, CT 06920
(203-655-8764)

LEGAL COUNSEL

Ackerly, Dana T., Esq. "Tod"
Covington & Burling
888 Sixteenth Street, N.W.
Washington, DC 20006
(202-452-6182)

Sherman, Robert, Esq.
Weil, Guttman & Davis
60 East 42nd Street
New York, NY 10017
(212-687-8573)

Weil, Gilbert H., Esq.
Weil, Guttman & Davis
60 East 42nd Street
New York, NY 10017
(212-687-8573)

*Executive Committee Member

EXECUTIVE STAFF

Barton, Richard A.
Vice President, Government Affairs
Direct Mail/Marketing Association, Inc.
1730 K Street, N.W.
Washington, DC 20006
(202-347-1222)

Brennan, Raymond F.
Vice President, Marketing
Direct Mail/Marketing Association, Inc.
6 East 43rd Street
New York, NY 10017
(212-689-4977)

Montesi, Richard L.
President
Direct Mail/Marketing Educational Foundation
6 East 43rd Street
New York, NY 10017
(212-689-4977)

White, Sue
Vice President, Conference
Direct Mail/Marketing Association, Inc.
1730 K Street, N.W.
Washington, DC 20006
(202-347-1222)

Zacavish, Dante E.
Vice President, Educational Marketing
Direct Mail/Marketing Association, Inc.
6 East 43rd Street
New York, NY 10017
(212-689-4977)

Appendix II

Self-Regulation

Fighting Government Regulation: Who Says You Can't Win?

Imagine yourself in this situation: A new federal study commission has been created by Congress to look at many areas of invasion of privacy, including an area that is vital to the business of your association members. You are confident that your industry's self-regulatory efforts to date are sufficient, but the commission members seem to lean the other way.

The federal regulatory steamroller seems to be bearing down on you one more time.

The Direct Mail/Marketing Association has just been through such an experience. Unlike the experiences of some other industries, this one ended happily for us with the commission recommending no legislative action.

What the DMMA did to respond to the challenge and why it worked may be of great help to you in plotting your own association's response to government scrutiny.

Be Prepared

There is, of course, no magic formula. But there are some basic approaches that should be part of an association's answer to the inevitable knock at the door by the regulator.

The Direct Mail/Marketing Association is a national organization representing 1,700 companies that use direct mail marketing to sell their products or services. These companies include publishing houses and catalog mail order firms, manufacturers and wholesalers, as well as direct mail marketing suppliers, such as computer firms, paper and envelope manufacturers, and mailing houses.

With such a membership, it is no surprise that we were greatly concerned with the Privacy Act of 1974, passed by an overwhelming margin by Congress in the wake of Watergate and the resulting concern over personal privacy.

The bill applied new privacy principles to the operation of the federal government. It also established a Privacy Protection Study Commission to examine whether those privacy principles should be extended to the public sector. Only a last-minute lobbying effort by various interest groups convinced Congress that there was not sufficient evidence to justify including the private sector under the Act.

Study Commission's Mandate

The Privacy Protection Study Commission was given a general mandate to look at a wide range of issues including the use of Social Security numbers, interstate transfers of information, data-banks, and information systems. In addition, it was given specific directions to study "whether a person engaged in interstate commerce who maintains a mailing list should be required to remove an individual's name and address from such list upon request of that individual."

We felt there was little doubt about what would happen following the Commission's study. The Commission would examine the use of mailing lists, as mandated in the law, and recommend to Congress and the White House what action should be taken.

From the very start, it seemed likely that the Commission would recommend mandatory legislation. In fact, in the first hearings on the subject, one commissioner quickly went on the record with the conclusion, "I don't believe self-enforcement without legislative requirement is adequate."

Taking Action

Where should you begin when faced with this type of crisis? Ideally you should address such concerns before they become problems. DMMA had identified individuals' concerns about mailing lists before the Commission came into existence, and we tried to show our responsiveness to the concerns. We refused to accept a regulatory outcome as inevitable.

Step One: Anticipate the problem. If you see storm clouds on the horizon, ask yourself what you can do now to provide shelter.

We are not suggesting that you need to be a seer. You know your problem areas; if they haven't resulted in regulation, consider yourself lucky, and do something about it now.

It was apparent to us that there were those who did not want to receive advertising mail. When they did receive it, they were upset. Some wrote their congressmen; others wrote the media about the "junk" mail in their mailbox.

We knew it wasn't junk but we also knew that the most effective educational campaign in the world wouldn't convince everyone to agree. We were dealing with a social minority. Every consumer attitude study we were aware of indicated that most consumers liked to receive direct mail.

So what was the answer? Do we ignore the minority that wanted a way off of lists, hoping that they would go away? Of course not.

Direct marketers have no desire to send mail to people who don't want it. That is wasted postage and wasted effort. With that in mind, DMMA initiated the Mail Preference Service in 1971 to provide individuals with a simple way to remove (or add) names to numerous lists at one time.

Set Up Voluntary Program

Our members account for an estimated 65 percent of all direct mail use; thus, the service could offer consumers one centralized point where they could get their names removed from numerous lists. In addition, the service helped to counteract an unjustified public image that mail advertisers were insensitive to consumer attitudes.

From the beginning of the program, DMMA used its manpower and financial resources to reach the general public through the mass media. During the first 14 months, a series of press conferences were held nationwide in major cities. Beginning in mid-1975, we ran space advertisements in major magazines of companies belonging to DMMA in an effort to increase public awareness of the Mail Preference Service.

Consumer response to the service has substantiated our initial assumption that it was a very small minority of the general public that wanted to reduce mail advertising. Response to the magazine space advertisements have also supported this assumption. By a two-to-one margin, readers requested to be placed on the mailing lists rather than be removed. We are convinced that development of the Mail Preference Service went a long way toward helping to prove that users of direct mail were interested in adopting voluntary procedures to tackle their own problems.

Look at the problems plaguing you now. Surely, most of you could predict, in general terms, what kind of new legislation is likely to be aimed at you in the next five years. You can "co-op" the regulators by developing creative solutions now.

Step Two: Try to put the debate on your own terms. Don't be made to look like the bad guy.

We were faced with two full days of hearings scheduled in November and December of 1975. But we knew that before those hearings took place, important work would be done by the Commission staff. We had to take the initiative and use this precious time before we found ourselves sitting on one side of a witness table.

We were deeply concerned at the position the debate might put us in. No one, after all, can really be against privacy. But was it a privacy question?

We felt strongly that it wasn't, and, more importantly, we believed we would concede too much by accepting the Commission's opinion that privacy was the problem. We believed the real issue was whether mailers had a right to mail to the list of names they rented, compiled and maintained. The issue was, in other words, freedom to mail.

By putting the issue in that context, we helped bring attention to one of our strongest arguments. Any mandatory regulations on list use had to consider the possibility of violating First Amendment rights. When the issue was put in that context, we were operating from a position of strength and we persisted in placing the deliberations of the Commission in those terms.

Step Three: Cooperate. Don't immediately assume your members are served by a belligerent attitude toward the regulator.

We realized nothing was to be gained from a hostile approach to the Commission or its staff.

We immediately approached the staff of the Commission explaining who we were and who we represented and expressed our desire to work together. We did not place ourselves in an adversary relationship. Our goal was to be as helpful as possible to a group of people who had to learn the principles of our business rather quickly if we were to hope to receive a favorable outcome from their deliberations.

Step Four: Provide a forum for the regulator: You will both learn something from the experience.

We wanted the Commissioners and staff not only to know us but our members as well.

In the early months, the Commission and its staff had never talked with direct marketers on their own turf. The reverse also was true. Our members read about the Commission, but they didn't have the opportunity to talk with its members in person.

We made a concerted effort to have representatives of the study group speak at DMMA conferences and meetings on the issue of mailing lists. In every case, large blocks of time were set aside for questions and answers. Our members didn't always like what they heard, but our goal was not to get rave reviews.

Instead, we were trying to give our members an opportunity to talk to the people who would be making the decision. Likewise, the Commissioners didn't understand the concerns of the average company using direct mail. When they had a chance to meet representatives from those companies in person, human nature did a much more effective job than we could have.

The lesson: Don't hesitate to open your forums to the regulator. Even more important, don't let the desire of some members to ignore a problem keep you from scheduling some unpleasant sessions.

Step Five: Don't forget your most valuable resource—your membership. You aren't in the fight alone.

Obviously we intended to testify, and we did. In fact we were the lead-off witness and helped set the stage for the hearings. We believe, however, that the story is often best told by your own members.

With that in mind, we gave the Commission the names of knowledgeable individuals from a wide range of companies who could explain how lists are used and compiled and what effects mandatory name removal would have. The Commission appreciated hearing from the people most intimately involved. Most of our members were more than happy to step forward and tell their story. Others, of course, needed encouragement and a certain amount of assistance from us.

This simple step of deciding to get our members involved was of great importance. It helped educate our members about what was happening. It gave the Commission a chance to talk with the people actually affected by the regulations rather than limiting the study to association representatives or professional lobbyists. It also increased the odds against the Commission accidentally scheduling a belligerent or less knowledgeable witness who would have been more likely to spread heat than light.

As a result, the commission staff chose to stay in contact with several of the witnesses as they attempted in the months ahead to learn more about direct mail and lists. Our members had much more impact than the association staff could ever have hoped to have under the circumstances. In short, we provided the most valuable service possible: we opened the lines of communication between the Commission and our members and assumed that the resulting dialogue had to work to our advantage.

Step Six: Seek advice from your members.

Our membership is a diverse group. The only real point in common among them is their use of direct mail as an integral part of their business. Were we correctly gauging their concern over this issue? Would they all want the same alternatives? Was it a problem to some and not to the others?

We could poll them repeatedly, but that was unrealistic. We turned instead to an old standby that is sometimes underestimated--a task force of members designed to advise us on direction .

A well-organized representative task force can be invaluable. It helped in developing our testimony and also served as a liaison with member companies, keeping them apprised of what we were doing and what we needed. Also, task force members were convenient contacts for the inevitable fund raising that was needed.

Most importantly, they knew that they weren't there for window dressing. We needed their input. And we will continue to seek their advice on the final recommendations of the Commission.

Step Seven: Highlight the issue so that your members are aware of its significance. Use newsletters or other publications.

Some of our members underestimated the potential threat posed by the Commission. A few refused to believe that mailing lists were being examined seriously. Although we had used our normal communicatons instruments, including the monthly "Government Affairs Report" to report the issue, it was still difficult to give the complex issue a proper focus. Many of our members had difficulty understanding how the rental of lists was a privacy violation.

To gain attention, we needed to extract the issue from the rest of the problems any association faces. We decided the most effective approach was the establishment of a special regular communication on the subject. It was called "Freedom To Mail Report." The report not only keyed in on what the Commission was doing but reported on other developments on the federal and state level as well. Published monthly and running four pages in length with a distinctive design to set if off from other DMMA publications, it enabled us to make detailed reports on activities and educate our members on this issue.

The appearance of a new publication and a new member service attracted attention to the importance of the issue. It helped us mobilize our members to the potential dangers.

Such an approach used too often would lose its effectiveness, of course. You can't begin a new publication for every problem area. But if the problem is big enough, consider the advantage of a fresh communication vehicle.

Step Eight: Don't let yourself be hemmed in by a lack of funds.

No association can plan for every possible issue. It quickly became clear to us that effective management of the privacy-list dispute required funds not in our present budget. The easy approach would have been to scale down our efforts to meet the budget rather than going to our members for extra money. But what approach best serves members' needs?

A special Freedom To Mail fund raising effort was begun. Specific dollar levels of contributions were suggested to each company depending on its size. Handwritten notes were enclosed in each envelope along with copies of a proposed budget indicating how funds would be spent in the members' best interests.

The reply card enclosed with the mailing gave a company the opportunity to contribute or tell us why they wouldn't. A copy of the initial letter was sent several weeks later to those who didn't respond. The same technique was used a year later in a follow-up campaign, and both fund raising drives were extremely successful.

The money raised was adequate to carry out our program, and it enabled us to make decisions based on member service rather than purely dollars and cents. We are convinced from the experience that, if the cause is right, chances are you won't irritate your members when you ask for more funds. Tell them why you need the money and where it is going. If the danger is there, they couldn't make a better investment.

Step Nine: Put the proposed regulation in terms of economic impact to your members and be honest.

All except the most unconscionable regulator wants to consider the economic impact of a proposed regulatory requirement on your industry. All too often associations respond by saying, "The regulation will put us out of business," but evidence to prove it is seldom forthcoming.

Then the regulation is passed, and the business in question somehow manages to stay alive, albeit with some adjustments. The result is that many in govenment have become deaf to unfounded claims that their actions are about to destroy the free enterprise system.

All government regulations do have some economic impact. It is important for you to document it and ask the regulator whether the alleged harm being corrected is sufficient to justify the added economic costs.

We spent considerable time establishing for the record the economics of direct mail use. We encouraged other witnesses to show how the proposed regulation could adversely affect their mailing results. We encouraged unbiased organizations—in this case, the United States Postal Service—to testify on the economic value of the mail our members generated in the system.

We did not sing a siren song of economic destruction, because we couldn't prove it, and it wouldn't have worked. You will find you can make your case without engaging in hyperbole that the regulator takes with a shaker of salt.

Step Ten: Don't let the official record of the proceedings contain misconceptions or unanswered charges. They are time bombs.

All too often associations neglect to follow through on presentations to legislators or regulators. You need to do more than just tell your side of the story. If critics testify and make unfounded charges or cause confusion and you don't respond, you increase the possibility that the misconception will become institutionalized in the eventual decision.

We culled the testimony after it was completed. Any misstatement of fact made by a witness was responded to in a written submission which became part of the official record.

In addition, we focused on the concerns expressed by the commissioners in the course of the hearings. You may know all the right answers, but don't assume the regulator is privy to the information unless you give it to him.

In the final outcome, our efforts paid off. In July, [1977] the Commission announced its recommendations. It concluded that legislation was not needed to force a company that was engaged in interstate commerce to fulfill requests to remove names from its list.

Instead, the Commission urged direct marketers to take such steps voluntarily, along with disclosing list rental practices. We were gratified by the recommendation, but we were ready to respond to it whether it was favorable or not.

Step Eleven: Always be ready to tell your story.

We knew that a favorable or unfavorable recommendation from the Commission would be just the first step in determining if we were eventually faced with legislation. We geared up to make sure we could counter a negative recommendation or reinforce a positive one.

Close work with the Commission gave us a good idea of areas that would probably be covered in the final report. Identifying these areas in advance saved valuable time once the report was issued.

We compiled a list of appropriate media contacts and distributed a press release stating our reaction to the Commission's recommendations. By planning ahead, we were able to issue our response immediately after release of the Commission's report, which encouraged press coverage of the favorable report on mailing lists.

Of course, we didn't forget members. All financial supporters of our efforts received an in-depth analysis of the Commission's findings within days of the release of the report. As part of the continuing educational effort, the entire membership received a "Freedom To Mail Report" a few days later.

The reports let our members know they had been involved in a successful effort and also emphasized that the controversy was not over and that DMMA would continue to take the lead in helping them develop voluntary procedures to comply with the Commission's recommendations.

While our efforts were successful in averting new government regulations, there are some things we would do differently next time. Maybe you can learn from our experience by taking these pointers into consideration in launching your own effort:

- Develop special task forces on a continuing rather than an ad hoc basis.
- Begin much earlier gathering information on the economic size and scope of your industry.
- Utilize a broader range of your members in fighting the situation and resist the natural tendency to rely on only the most active members.
- Closely monitor members' initiation of voluntary efforts to individually handle consumer concerns in preparation for responding to the Commission's final recommendations.

Continuing Battle

We aren't naive enough to think that privacy concerns about lists are over now. Indeed, our efforts have essentially bought us time. But if we continue to apply creative management to the issue, we are hopeful that eventually this particular issue can be put to rest.

We have made mistakes. You will too; but a well-planned program will avoid areas of misjudgment and result in a better law in Washington for the people you represent.

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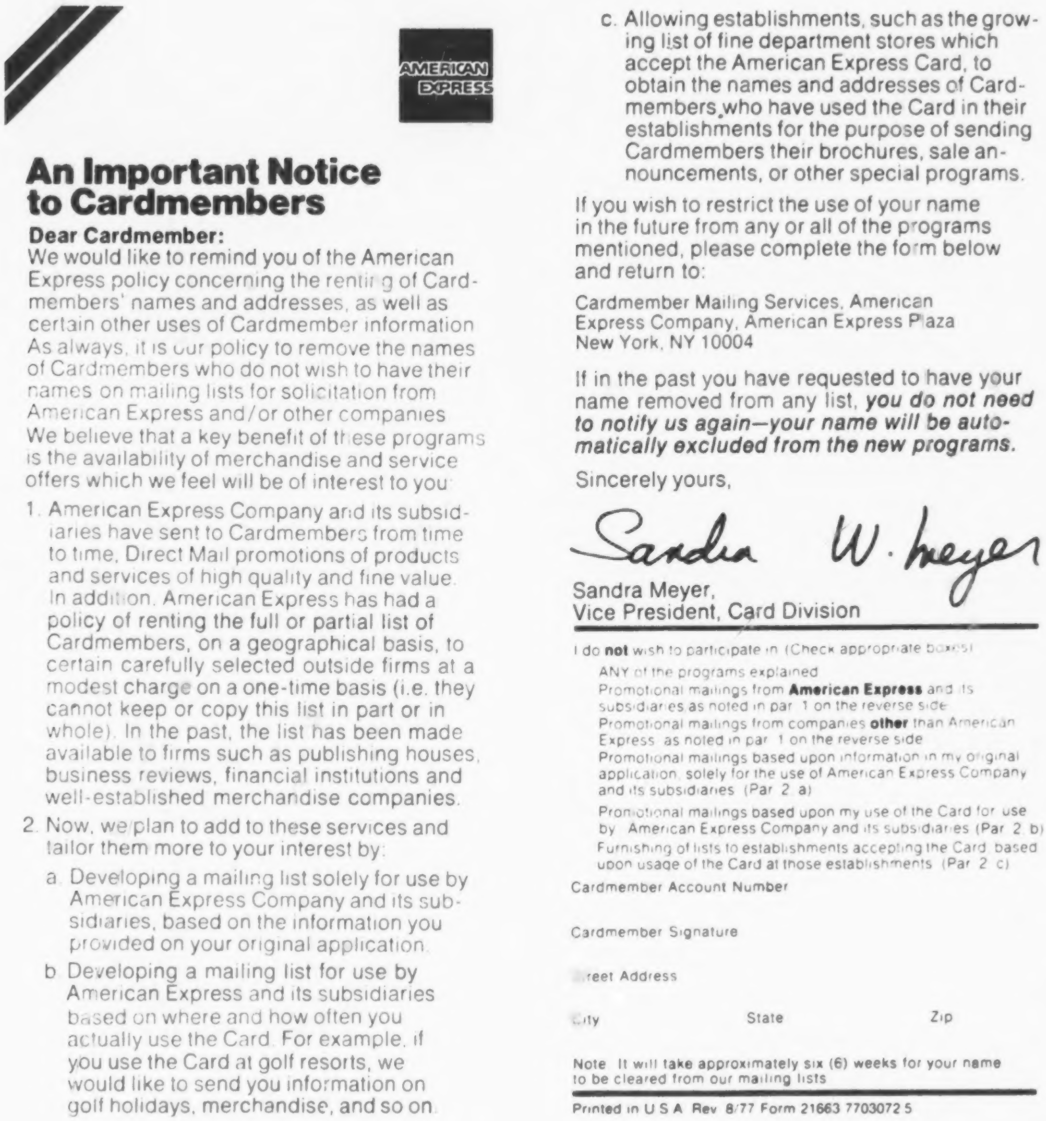
Pages 126 through 134 are examples of Disclosure Forms used by various companies.

American Express



AMERICAN EXPRESS

An Important Notice to Cardmembers

Dear Cardmember:

We would like to remind you of the American Express policy concerning the renting of Cardmembers' names and addresses, as well as certain other uses of Cardmember information. As always, it is our policy to remove the names of Cardmembers who do not wish to have their names on mailing lists for solicitation from American Express and/or other companies. We believe that a key benefit of these programs is the availability of merchandise and service offers which we feel will be of interest to you:

1. American Express Company and its subsidiaries have sent to Cardmembers from time to time, Direct Mail promotions of products and services of high quality and fine value. In addition, American Express has had a policy of renting the full or partial list of Cardmembers, on a geographical basis, to certain carefully selected outside firms at a modest charge on a one-time basis (i.e. they cannot keep or copy this list in part or in whole). In the past, the list has been made available to firms such as publishing houses, business reviews, financial institutions and well-established merchandise companies.
2. Now, we plan to add to these services and tailor them more to your interest by:
   - a. Developing a mailing list solely for use by American Express Company and its subsidiaries, based on the information you provided on your original application.
   - b. Developing a mailing list for use by American Express and its subsidiaries based on where and how often you actually use the Card. For example, if you use the Card at golf resorts, we would like to send you information on golf holidays, merchandise, and so on.
   - c. Allowing establishments, such as the growing list of fine department stores which accept the American Express Card, to obtain the names and addresses of Cardmembers who have used the Card in their establishments for the purpose of sending Cardmembers their brochures, sale announcements, or other special programs.

If you wish to restrict the use of your name in the future from any or all of the programs mentioned, please complete the form below and return to:

Cardmember Mailing Services, American
Express Company, American Express Plaza
New York, NY 10004

If in the past you have requested to have your name removed from any list, ***you do not need to notify us again—your name will be automatically excluded from the new programs.***

Sincerely yours,

Sandra W. Meyer

Sandra Meyer,
Vice President, Card Division

I do **not** wish to participate in (Check appropriate boxes)

ANY of the programs explained

Promotional mailings from **American Express** and its subsidiaries as noted in par. 1 on the reverse side

Promotional mailings from companies **other** than American Express as noted in par. 1 on the reverse side

Promotional mailings based upon information in my original application, solely for the use of American Express Company and its subsidiaries (Par. 2. a)

Promotional mailings based upon my use of the Card for use by American Express Company and its subsidiaries (Par. 2. b)

Furnishing of lists to establishments accepting the Card, based upon usage of the Card at those establishments (Par. 2. c)

Cardmember Account Number

Cardmember Signature

Street Address

City State Zip

Note: It will take approximately six (6) weeks for your name to be cleared from our mailing lists

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Printed in U.S.A. Rev. 8/77 Form 21663 7703072 5

Information For JCPenney Charge Customers

JCP 8398

Experience has shown us that in addition to visiting our stores, many of our charge customers also enjoy the convenience of shopping in their own homes.

Based on this, the J.C.Penney Company frequently sends promotional messages to its charge account customers. These messages may be enclosures with monthly statements or separate mailings. They range from special-interest items, or events at our retail stores, to specialized promotions from our Catalog Department and Insurance Subsidiaries, among others.

Since your satisfaction is our prime goal, we want you to know in advance that these offerings will be made and give you the opportunity to be excluded from this service. If you do not want J.C.Penney promotional communications sent to you, please complete the form below and return it using the enclosed payment envelope or send it to the address on the enclosed statement.

☐ I do not wish to receive promotional materials.

Account No. ______________________

Print Or Type Name ______________________

Signature ______________________

Please allow 90 days for removal of your name from our system.

IN OUR CONTINUING EFFORTS TO SERVE YOU . . .

Because of the many fine products and services available by mail Old American from time to time makes its mailing lists available to certain other carefully selected organizations The list is provided on a limited use basis and only to those who, in our judgment, offer products and services of recognized quality and value

In order to protect your privacy we extend this privilege only on a strictly controlled basis For example, no personal information other than name and address is ever divulged although names may be selected according to segments to which the particular offer would appeal, on the basis of age groups, sex geographical location and recency of activity

More and more organizations are mailing literature about products and services directly to consumers And more and more people are taking advantage of these opportunities to shop by mail In 1977, 12% of all consumer purchases were made through the mail amounting to some 75 billion dollars

Most people look forward to receiving information in the mail about a wide variety of items including many not readily available in local stores They find such to be interesting, informative, and useful And they find shopping by mail is a convenient and comfortable way to shop

However should you not wish to receive such offers as a result of being on one of our lists, we will certainly respect your wishes and remove your name from the list when it goes to other organizations If you wish us to do so, simply complete and return the coupon, and we'll identify your record accordingly

☐ I do not wish my name and address to be made available to others

IMPORTANT:
Please print your name and address clearly in the space provided below exactly as it appears on this mailing Be sure to include any code numbers that appear within the address label area That way we can be certain we are removing your name and not that of another individual with a similar name The surest way of identifying you personally as a policyholder is to include your policy number(s) as well, if known

____

____

____

____

Mail to

Old American Insurance Company
Name Removal Service Dept EDP
4900 Oak Street
Kansas City, Missouri 64141

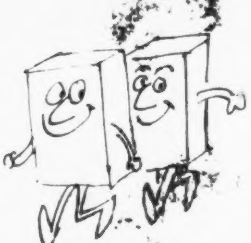
NOTE:
If you wish to continue to receive mailings of the sort described, it is not necessary to take any action.

BL IN360

National Handcraft Society

WHERE ARE YOU?

In the excitement and confusion of a move, members sometimes forget to tell us their new address—this can lead to some disappointing delays in the mail, or even, in some cases, kits being returned to us by the Post Office. We don't want to "lose" you, so please . . . give us any change in your address as soon as possible. And make sure you tell us your old address, too—just so we'll know for sure we're changing the right member. If you can, also tell us a date as to when you'll be at your new address.



THERE'S MORE

Enclosed with this letter and your free enrollment gift is a Gift Craft Flyer, featuring our most popular kits. We hope you'll take a few moments and look it over. To order any item, just use the enclosed order form, or a separate sheet if you prefer. When we fill your order we will return your order form with your shipment. If, for any reason you write to us about a shipment, please make sure you return that ORIGINAL order form—with this we can more quickly verify your order.

HONOR AWARD

A proud moment for you, as a club member, will come when you qualify for our Gold Honor Award Pin. This handsome award is given to members who have completed twelve months of membership. When you have reached eligibility, simply make your application by sending us your name, account number and approximate date of enrollment. This is an additional gift we provide free to qualified members.

WORD TO THE WISE

As a means of offsetting ever increasing postage and material costs as well as keeping the price of the Surprise kit within your budget, the Society has elected to allow *reputable* mail order companies to purchase space in our carton to send you their promotions. We hope you'll take advantage of any offer that appeals to you. Like advertising on TV or in magazines, these promotions help defray the increases inflation brings about.

As an additional inflation hedge, we allow carefully screened direct mail companies to rent our membership file. To you, that means a chance of finding some additional mailorder offers in your mailbox. If you find this practice unacceptable, you need only notify Department NX at the Terre Haute address, and they will see that your name and address is deleted from **all** outside rentals.

Finally, we urge that you **never** send cash through the mail. Play it safe and mail your payments by check or money order. That way you always have a receipt of payment.

Diners Club

As a service to members, Diners Club permits a limited number of companies, each carefully selected for its reputation and reliability, to mail offerings of appropriate merchandise or services to club members. These offerings are often not available in retail stores or could cost more elsewhere.

Personal contact or telephone solicitation is always expressly prohibited. If, for any reason, you would prefer not to receive such offerings, simply complete the notice set forth below and return it to the Diners Club. Please be certain that you complete all blanks before mailing.

Mail to: Diners Club Media Services
P. O. Box 22475, Welshire Station, Denver, Colo. 80222

Please delete my name from any list of members supplied to vendors as described above.

Name ______________________________

(Please type or print)

Account No. ______________________________

Address ______________ City ______________ State ________ Zip ________

Signature ______________________________ Date ______________

MED 16 (5/75) Printed in the U.S.A.

Pour rendre service à ses membres, le Diners Club permet à un nombre limité de compagnies, chacune soigneusement choise pour sa réputation et son sérieux, d'envoyer par la poste aux membres du Club des offres de marchandise et de service opportuns. En général ces offres ne sont disponibles dans des magasins au détail, ou bien elles coûteraient plus autrepart.

Le contact en personne ou la sollicitation par téléphone sont toujours expressément défendus. Si, pour une raison quelconque, vous préfériez ne pas recevoir ces offres, il suffit de compléter le formulaire ci-dessous et de le renvoyer au Diners Club. Soyez sûr de bien compléter toutes les demandes avant de l'envoyer s'il vous plaît.

Envoyez à: Diners Club Media Services
P.O. Box 22475, Welshire Station, Denver, Colo. 80222

Vous êtes priez de supprimer mon nom de toute liste de membres fournie aux marchands comme décrit ci-dessus.

Nom: ______________________________

(prière d'écrire en majuscules ou à la machine)

No. d'acompte: ______________________________

Domicile: ______________ Ville: ______________ État: ________ Code Postal: ____

Signature: ______________________________ Date: ______________

Omaha Steaks International

(ENVELOPE DESIGN)

Send Omaha Steaks catalog to:

1
Name (Please print)
Street Apt. #
City State Zip

2
Name (Please print)
Street Apt. #
City State Zip

3
Name (Please print)
Street Apt. #
City State Zip

Mail Preference Changes, if any:

(See letter below for explanation.)

☐ I do not wish to receive mailings from organizations other than Omaha Steaks International.

☐ Please remove my name from the Omaha Steaks International mailing list.

X
Your Signature

Note: It will take several weeks for the above changes to be made. To help us, please enclose pre-addressed order form —even if you're not ordering at this time.

B-4

INSIDE
FLAP

Omaha Steaks
Mail Preference
Service

Dear Customer,

You may have relatives, friends and neighbors who would enjoy sharing your discovery of Omaha Steaks. If you'll give me their names, we'll send them our latest catalog, with an invitation to join our growing family of steak lovers. (Use space provided above left.)

In addition, I want you to know that we make our customer list of names and addresses available to carefully screened organizations with an offer or appeal that might interest you. If you would prefer not to receive such mailings, or if you no longer wish to receive our monthly steak promotions, please let us know.

To make such a request, just enclose your pre-addressed order form—even if you're not ordering at this time. Then check the appropriate box (above right) and give us your signature.

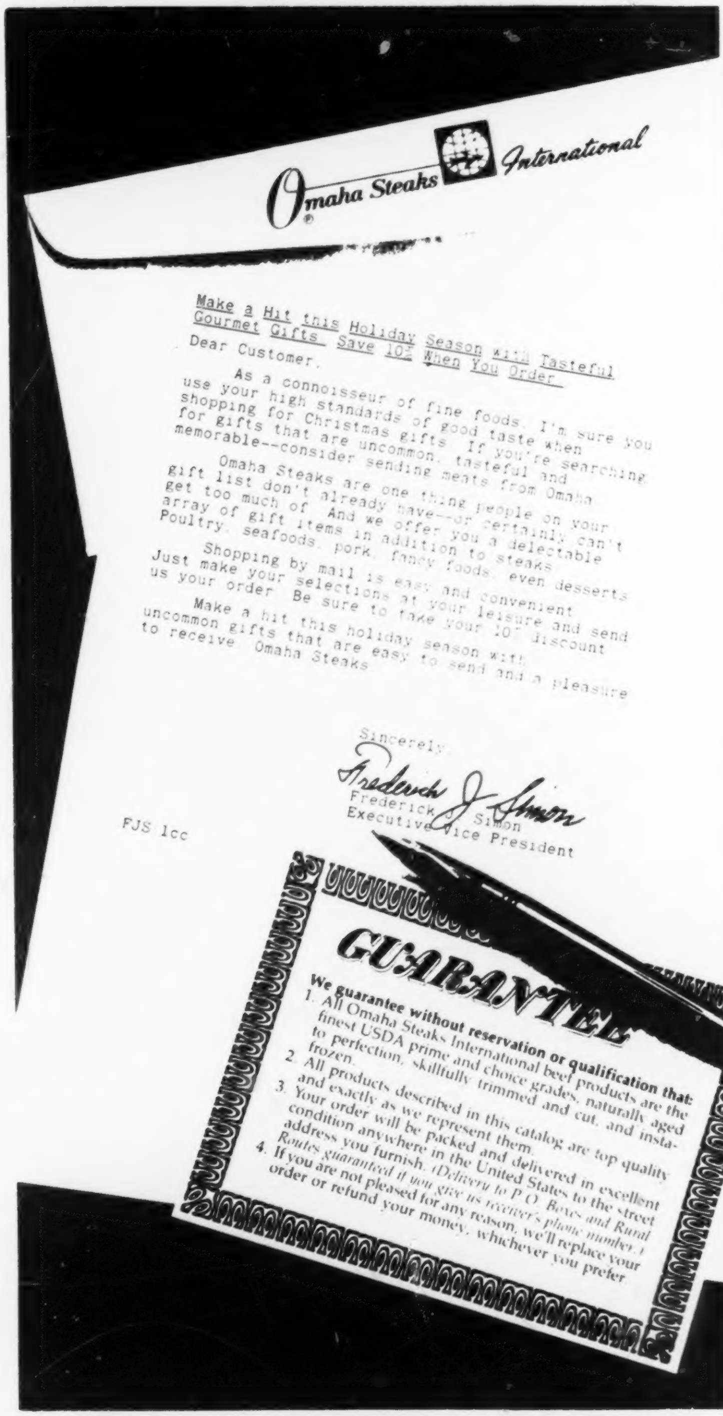
Sincerely yours,

Frederick J. Simon

Frederick J. Simon
Executive Vice President

BACK OF
ENVELOPE

Omaha Steaks International



Omaha Steaks International

Make a Hit this Holiday Season with Tasteful Gourmet Gifts. Save 10% When You Order

Dear Customer,

As a connoisseur of fine foods, I'm sure you use your high standards of good taste when shopping for Christmas gifts. If you're searching for gifts that are uncommon, tasteful and memorable--consider sending meats from Omaha.

Omaha Steaks are one thing people on your gift list don't already have--or certainly can't get too much of. And we offer you a delectable array of gift items in addition to steaks. Poultry, seafoods, pork, fancy foods, even desserts.

Shopping by mail is easy and convenient. Just make your selections at your leisure and send us your order. Be sure to take your 10% discount.

Make a hit this holiday season with uncommon gifts that are easy to send and a pleasure to receive. Omaha Steaks.

Sincerely,

Frederick J. Simon

Frederick J. Simon
Executive Vice President

FJS lcc

GUARANTEE

We guarantee without reservation or qualification that:

1. All Omaha Steaks International beef products are the finest USDA prime and choice grades, naturally aged to perfection, skillfully trimmed and cut, and insta-frozen.
2. All products described in this catalog are top quality and exactly as we represent them.
3. Your order will be packed and delivered in excellent condition anywhere in the United States to the street address you furnish. *(Delivery to P.O. Boxes and Rural Routes guaranteed if you give us receiver's phone number.)*
4. If you are not pleased for any reason, we'll replace your order or refund your money, whichever you prefer.

About Our Cover

The theme of our cover is: "You give more than just fine food when you send meats from Omaha." For the lucky recipient, it's a total experience in elegant dining or entertaining. Whether you send a specialty item like the stuffed Cornish Game Hens pictured, or ever-popular Omaha Steaks, you can be certain that a gift from Omaha conveys the warmest possible feelings. And the memory of your gift will linger long after it's enjoyed. *(Photography by Photographers Associated – Omaha, Nebraska.)*

About Us

Omaha Steaks International began in Omaha as the Table Supply Meat Company—a purveyor to local restaurants—in 1917. The company was founded by B. A. Simon (1877-1955), whose family already had two generations of experience in the meat business. Lester Simon (1907-1974) expanded the business begun by his father. The aim of Table Supply Meat Company through the 1930's and 40's was to supply Omaha's "carriage trade" with the finest meats available. By the 1950's, Lester's three sons—Alan, Frederick and Stephen—began to take active roles in the business. Noting the changing times, the company sent out its first advertising from the "Omaha Steaks International Mail Order Division" in 1952.

Today we still supply fine-quality meats to many of Omaha's restaurants. We also purvey meats to a large number of food service operations throughout America. And we ship gourmet delicacies directly to people like you in each of the fifty United States and some foreign countries.

Alan D. Simon, President
Frederick J. Simon, Executive
  Vice President
Stephen H. Simon, Vice President,
  Distributor Sales
Douglas D. Ferguson,
  Incentive Sales

Member of Direct Mail/Marketing Association, National Association of Meat Purveyors, National Restaurant Association.

Our Mailing List of customer names and addresses is made available to responsible organizations with mail offers you might find interesting. If you would prefer not to receive such promotions *(or our own monthly mailings)* please let us know.

Omaha Steaks International
4400 South 96th Street
Omaha, Nebraska 68127

Phone Toll Free: (800) 228-9055
Nebraska residents,
(402) 391-3660 collect

CUSTOMER RESPONSE FORM

ATLAS PRESS COMPANY, 2019 N. Pitcher Street,
Kalamazoo, MI 49007 (616) 345-7155

Please affix peel-off mailing label within dotted lines whether or not the address is correct. Make corrections neatly on label. Your order will be sent to that address unless you specify otherwise below.

ORDERED BY: CUSTOMER NO. ____________ ←Do not write in this space.

Name ____________________________

Address ____________________________

City ______________ State ______________ Zip ______________

Phone number where you can be reached on weekdays ______________

SHIP MY ORDER TO: SHIP TO SAME ADDRESS ☐ OTHER (SEE BELOW) ☐

Name ____________________________

Address ____________________________

City ______________ State ______________ Zip ______________

Have you ordered from us before? Yes ☐ No ☐

☐ Master Charge

☐ VISA (BankAmericard) ______________ Expiration Date

☐ Check or M.O. enclosed $ ______________

If you need more space to write out your complete order, just attach a separate piece of paper to Response Form.

Your account number

____
Signature

CATALOG NUMBER	HOW MANY?	NAME OF PRODUCT	PRICE EACH	SHIP./ HAND. CHARGE	TOTAL PRICE
		Indiana & Michigan residents add 4% sales tax to price *before* Shipping/Handling			
		TOTAL AMOUNT DUE			

MARKETING INFORMATION
(Optional)

Your Trade or Hobby ______________

Age ☐ 18-25 ☐ 36-50
☐ 26-35 ☐ over 50

☐ **Check here if you would prefer *NOT* to receive mailings from companies who have been given our permission to mail special offers to our Atlas customers.**

NOTE to Newsweek Subscribers

From time to time Newsweek makes its subscriber lists available to carefully screened companies and organizations whose products, services or information may be of interest to you. In every case, we must approve all organizations wishing to mail to our subscribers. In every case they receive a list of names and addresses only—no other information we may have is divulged. Each organization may use the list only once and agrees never to make any personal or telephone solicitations from it.

The overwhelming majority of our subscribers appreciate this controlled use of our mailing lists—it helps them shop conveniently by mail for products and services they need, often at substantial savings. A few people prefer their names not be used. It is to them we address this message.

To serve you better, we would appreciate if you would indicate your preference. Please check this form and enter your name and address as it appears on the bill. Include it when you mail your payment. Thats' all there is to it.

(If you asked us in the past to remove your name from our lists, there is no need to repeat the request.) Please allow about six weeks for your request to take effect.

☐ Yes, I wish to remain on this list so that I may have the opportunity to take advantage of the offers that are sent to me.

☐ No, I wish my name removed from this list. I realize that I will not receive mailings of the kind described above.

Send to Mr Mrs Ms ____________________
Please Print

Address ____________________

City ______ State ______ Zip ______

Remember to return this card, with your payment to Newsweek, The Newsweek Building, Livingston, New Jersey 07039. Please use the envelope enclosed, which we have provided.

11C

Please read this important message...

Dear Field & Stream Member:

From time to time, we have made the Field & Stream Club mailing list available to outside companies who wish to send our members promotional material about their products. We supply these firms with names and addresses *only*.

These are reputable companies. Before they mail to any of our customers, we make certain their promotional material meets the standards at Field & Stream and their product and/or service is appropriate for our members. In the past, promotions have included mailings on outdoor books and magazines.

Most people eagerly look forward to finding these promotions in their mail box. They find them interesting, informative and useful. And, there is never a risk or obligation.

Yet, some people do not wish to receive these offers. It has always been our policy to remove their names from the list going to outside companies. If you wish to have your name removed from this list, and not receive these offers, simply write to Field & Stream Club directly. Please include your Field & Stream Club account number on all correspondence.

WRITE TO:

Field & Stream Club
Harrisburg, PA. 17105

FS-NM-PCS1/78

ABOUT MAILING LISTS . . .

an important notice to our subscribers.

In recent years we have made the list of subscribers to McGraw-Hill publications (names and mailing addresses only) available to carefully screened companies whose products or services might be of interest to you.

These companies enter into an agreement that permits them to mail information to you without placing you under any obligation.

We have always considered such direct marketing activities to be legitimate and important in the American system of free trade—and we're confident that the majority of subscribers share this position.

However, we respect the interests of those who for some reason may wish to have their names restricted from such use by companies either affiliated or not affiliated with McGraw-Hill, Inc.

If you wish to delete your name from lists we make available to other firms, please fill in the information requested below exactly as it appears on your mailing label on the cover of this issue. Or, if you prefer, attach the label itself to the coupon and return.

McGraw-Hill, Inc.
P.O. Box 555
Hightstown, N.J. 08520
Attn: Mailing List Dept

☐ Please remove my name from your mailing lists

Title of this publication

Name

Address

(exactly as shown as mailing label please)

City State Zip

Successful Farming

SUBSCRIBERS PLEASE NOTE

Successful Farming subscribers and members of their families often express interest in home and family related products and services which are supplied by our company, Meredith Corporation, and other reputable firms.

From time to time, accordingly, we send our subscribers offers for books, home craft and decorating items, other home and farm related merchandise, and services of potential interest. We also make available subscriber names and addresses to other firms who are able to supply appropriate products and services.

Great care is taken by Meredith and other direct mail advertisers to send information about such products only to families who are most likely to be interested in them. Indications of interest such as products previously purchased, geographical location of the household, and various characteristics of the community, are considered to determine which products and services should be offered. A careful examination of advertisers and their offers is also a part of this screening process.

While we believe the distribution of this information is of benefit to our subscribers, we firmly respect the wishes of any subscriber who does not want to receive such promotional literature. Should you wish to restrict usage of your name, simply send your request to *Successful Farming*, P.O. Box 10263, Des Moines, Iowa 50336, enclosing a current address mailing label. You may wish to state whether your preference is to receive only Meredith Corporation offers or to receive no offers of any kind.

Mail Order Action Line

... for Customer Satisfaction When You Order By Mail

Consumer's Mail Order Complaint

Your Name (print) ____________________

Your Address ____________________

City & State ____________________ ZIP ______

Mail to:
Mail Order Action Line
6 East 43rd Street
New York, NY 10017

To: MOAL

I have a problem with a mail order company. I wrote the company with my complaint more than 30 days ago, and I am still not satisfied. Please contact the company in my behalf and explain to them exactly what my complaint is as indicated below.

MY PROBLEM IS (please check):

☐ A. I never received what I ordered on (give date of order) ____________________.
☐ B. I never received my refund as requested on (date) ____________________.
☐ C. I never received merchandise in exchange as requested on (date) ____________________.
☐ D. My order arrived damaged or spoiled. (Postal Service complaints should be submitted to them on a Customer Service Card available at your post office).
☐ E. The item I received is not what I expected (misleading offer) as described below.
☐ F. Difficulties with membership in a club (books, records) or with a magazine subscription.

Additional Information (item ordered, catalog number, price, or further details)

____

____

I ORDERED FROM:

Name of Company ____________________

Address ____________________ City & State ____________________ ZIP ______

Phone number of Company including area code: (   ) ____________________

I remitted $______ Paid by ____________________ (Cash, C.O.D., check, kind of credit).

I WROTE THE COMPANY MORE THAN 30 DAYS AGO ABOUT THIS COMPLAINT ON (Date): ____________________

Sincerely,

____
(your signature) (date)

Note: Attach copies (not originals) of the label from your order or subscription, receipts, cancelled check, your order, or other records of your order and your complaint to the company. MOAL can act only *after* you have waited 30 days for the company to respond to your complaint.

DMMA Mail Preference Service Application

Take your choice!

Through DMMA Mail Preference Service you can get less mail or get more!

Read on

Q. WHAT IS THE PURPOSE OF MAIL PREFERENCE SERVICE?

A. MPS is a program that enables you to have your name removed from or added to mailing lists. The shopper (add-on) program adds to mailing lists the names of consumers wishing to receive more mail advertising. Name-removal enables those who wish to receive less advertising mail to have their names removed from advertising mailing lists.

Q. WHAT DOES THIS SERVICE COST?

A. MPS is free. It costs you only the time to fill out a consumer application and the stamp to mail it. MPS is a consumer assistance program of the Direct Mail/Marketing Association, Inc. (DMMA).

Q. WHAT HAPPENS TO THE FORM I COMPLETE AND RETURN TO YOU?

A. Your name and address will be recorded in *either* the MPS name-removal *or* add-on file, depending on which you choose. MPS makes the files available to direct mail advertisers. Those companies participating in the program then remove your name from (or add your name to) their lists as appropriate.

Please note: DMMA itself does not maintain individual companies' mailing lists.

Q. CAN I USE THE NAME-REMOVAL FORM TO REMOVE MY NAME FROM ADVERTISING MAILING LISTS AND THEN ADD MY NAME TO LISTS ONLY IN SPECIFIC AREAS BY FILLING OUT THE ADD-ON FORM?

A. No. Since most companies use both programs, your name-removal request cancels out your add-on request.

The most effective way to get your name off a specific list is to write *directly* to the company requesting they stop mailing to you. (When writing to a company, be sure to include the envelope or mailing label carrying your name and address and any variations of your name and address by which you receive mail. Without it, they may not be able to locate and remove your name from their mailings.)

Q. CAN I CHOOSE TO HAVE MY NAME REMOVED FROM SOME LISTS AND NOT FROM OTHERS?

A. No. Mail Preference Service is intended to assist consumers who desire to reduce their mail advertising in general. Name-removal from specific lists may be achieved by contacting the company directly and requesting name-removal as indicated above.

Q. DOES THE NAME-REMOVAL MEAN AN END TO ALL MAIL ADVERTISING FOR ME?

A. No. We do not want to mislead you. There are many direct mail users. Among them are many local merchants, religious and charitable organizations, alumni associations, political candidates and office holders who do not belong to DMMA or participate in Mail Preference Service.

Stores and utility companies who send you advertising with bills will continue to do so. Magazines, book and record clubs you subscribe to will send renewal notices and advertisements. Also, if you have bought by mail from a company, your name will be on that company's customer list and you will continue to receive their advertisements.

Q. WHAT KINDS OF DIRECT MAIL WILL THE NAME-REMOVAL PROGRAM HELP ELIMINATE FOR ME?

A. It depends on what kind of person you are. The more memberships and subscriptions you maintain and the more you shop by mail, the more likely you are to receive direct mail advertising: advertisers select mailing lists based on interest implied by such action. The Mail Preference Service name-removal program will remove your name from many mailing lists of national as well as small and specialty advertisers selling products directly to the public via mail order. You will receive fewer mail order catalogs, single item promotions, book and record club offers, subscription solicitations, introductory price offers from magazines, coupons, and product samples.

Q. WHAT KINDS OF MAIL WILL I RECEIVE IF I PARTICIPATE IN THE MAIL-SHOPPER (ADD-ON) PROGRAM?

A. The MPS Mail-Shopper (Add-On) program gives you a choice of up to 23 different interest categories. Therefore, the mail you receive will depend on the categories about which you express interest.

(OVER . . .)

(CONTINUED FROM OTHER SIDE)

Q. WILL MAIL PREFERENCE SERVICE STOP OBSCENE OR PORNOGRAPHIC MAILINGS?

A. No. Pornographers aren't members of DMMA and don't use Mail Preference Service. If you want your name removed from pornographic lists only, the Mail Preference Service is not for you. However, a Federal law protects you and your family from receiving sexually oriented advertisements through the mails if you so choose. To indicate this you must list the names of those within your household with the Postal Service. The Postal Service makes a reference list of such names available, at a fee, to mailers. Thirty days after your name is added to the list, any mailer who sends you a sexually oriented advertisement is subject to civil and criminal legal action.

To obtain the Postal Service's anti-pornography form, ask a clerk at any Post Office or your mail carrier for a copy. Or you can write to MPS and we will send you one at no cost. This official form, USPS #2201, is entitled "Application for Listing Pursuant to 39 USC 3010."

Q. WHAT HAPPENS IF I MOVE TO A NEW ADDRESS?

A. If you move, you should request a new application form for MPS. This is the only way we can help keep you off or get you on advertising lists at your new address.

Q. IF I WANT TO GET OFF EITHER THE NAME-REMOVAL OR ADD-ON FILE, IS IT POSSIBLE?

A. Of course. Just write and tell us you want to discontinue participation in either program and your name will be deleted from the file in which it appears.

(DETACH)

CONSUMER APPLICATION
MAIL PREFERENCE SERVICE

Mail to: Mail Preference Service
6 East 43rd Street
New York, NY 10017

From (print) ____________________
Street ____________________
City & State ____________________ Zip

I have checked the box to indicate my preference . . .

☐ I WANT LESS MAIL (REMOVAL) — OR — ☐ I WANT TO SHOP BY MAIL (ADD-ON)

Please add my name to the name-removal file. I understand that you will make the name-removal file available to direct mail advertisers for the sole purpose of removing from their mailing lists the names and addresses contained therein.

Others at my address who also want less mail (or variations of my own name by which mail is received) include:

____
____
____
____

I would like to receive information in the mail, especially on the subjects below (circle letter):

- **A** All subjects
- **B** Automobiles, Parts and Accessories
- **C** Books and Magazines
- **D** Charities
- **E** Civic Organizations
- **F** Clothing
- **G** Foods and Cooking
- **H** Gifts
- **I** Grocery Bargains
- **J** Health Foods & Vitamins
- **K** HiFi and Electronics
- **L** Home Furnishings
- **M** Insurance
- **N** Plants, Flowers
- **O** Photography
- **P** Real Estate
- **Q** Records & Tapes
- **R** Sewing, Needlework, Arts & Crafts
- **S** Sports, Camping
- **T** Stamps & Coins
- **U** Stocks & Bonds
- **V** Tools & Equipment
- **W** Travel
- **X** Office Supplies

Date ____________ Signature ____________________

Appendix III
Ethics

Guidelines for Ethical Business Practice of the Direct Mail/Marketing Association, Inc.

We hold that a responsibility of the DMMA to its members and to all individuals and firms who use, create, produce or supply material and lists for direct response marketing is to be a constructive and useful force in business and the economy in general.

We further hold that, to discharge this responsibility, they should recognize their obligation to the public, the medium they represent, and to each other.

Finally, we believe this responsibility will best be discharged if all such individuals and firms can refer to a recognized set of guidelines.

To this end, the DMMA recommends the following Guidelines for Ethical Business Practice as being in the best interests of the public, all advertising and of direct response marketing users, creators, producers and suppliers in particular.

These Guidelines are intended to serve as benchmarks for the kind of business conduct which experience has shown to be wise, foresighted and constructive.

Because we believe dishonest, misleading, immoral, salacious or offensive communications make enemies for all advertising/marketing including direct response marketing, we recommend observance of these Guidelines and standards by all concerned.

Operating Guidelines for Ethical Business Practice

(For All Direct Response Marketers Whether Selling Products or Services or Raising Funds for Nonprofit Organizations)

1. Direct response marketers should make their offers clear and honest. They should not misrepresent a product, service, publication or program and should not use misleading, partially true or exaggerated statements. All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time a promotion is made. Direct response marketers should operate in accordance with the Better Business Bureau's Basic Principles contained in the BBB Code of Advertising and be cognizant of and adhere to the postal laws and regulations, and all other laws governing advertising and transaction of business by mail, telephone and the print and broadcast media.

2. Direct response marketers should not disparage any person or group on grounds of sex, race, color, creed, age or nationality.

3. Solicitations, regardless of medium used, should not contain vulgar, immoral, profane or offensive matter nor promote the sale of pornographic material or other matter not acceptable for advertising on moral grounds.

4. Photographs and art work representing or implying representation of a product or service or fund raising program for nonprofit organizations should be faithful reproductions of the product, service or aid offered by the fund raising program. All should be current and truly representative. All descriptions and promises should be in accordance with actual conditions, situations and circumstances existing at the time of the promotion. Photographs and art work representing or implying situations related to a product, service or program should be in accord with the facts. If models are used, clear disclosure of that fact should be made in immediate conjunction with the portrayal.

5. If laboratory test data are used in advertising, they should be competent as to source and methodology. Reference to laboratory test data should not be used in support of claims which distort or fail to disclose the true test results.

6. Direct response marketers should not use unsupported or inaccurate statistical data or testimonials originally given for products or services other than those offered, or testimonials making statements or conclusions known to be incorrect. If testimonials are used, they should contain no misstatement of facts or misleading implications and should reflect the current opinion of the author.

7. Direct response marketers should not make exaggerated price comparisons, exaggerated claims on discounts or savings, or employ fictitious prices.

8. Direct response marketers should sufficiently identify themselves in every solicitation to enable the consumer to contact them.

9. Solicitations that are likely to be mistaken for bills or invoices should not be used.

10. Products should be distributed only in a manner that will provide reasonable safeguards against possibilities of injury.

11. Direct response marketers should be prepared to make prompt delivery of orders. Any delay should be promptly reported to the customer informing him of his right to consent to the delay or obtain a refund.

12. The terms and conditions of guarantee should be clearly and specifically set forth in immediate conjunction with the guarantee offer. Performance guarantees should be limited to the reasonable capabilities and qualities of the product or service advertised.

13. When products or services are offered on a satisfaction guaranteed or money back basis, any refunds requested should be made promptly. In an unqualified offer of refund or replacement, the customer's preference shall prevail.

14. Direct response marketers should not make offers which purport to require a person to return a notice that he does not wish to receive further merchandise in order to avoid liability for the purchase price, unless all the conditions are first made clear in an initial offer that is accepted by the purchaser by means of a bona fide order. (For detailed specifications regarding Negative Option Plans, see Federal Trade Commission regulations, *Section 13.)*

15. Unordered merchandise should not be sent unless such merchandise is clearly and conspicuously represented to be "free" and the recipient clearly informed of his unqualified right to treat it as a gift, and to do with it as he sees fit, at no cost or obligation to him.

16. A product or service which is offered without cost or obligation to the recipient may be unqualifiedly described as "free". "Free" may also be used conditionally where the offer requires the recipient to purchase some other product or service, provided all terms and conditions are accurately and conspicuously disclosed in immediate conjunction with the use of the term "free" and the product or service required to be purchased is not increased in price or decreased in quality or quantity.

17. Direct response marketers should not use or permit to be used unfair, misleading, deceptive or abusive methods for collecting money owed by delinquent accounts.

18. Direct response marketers who use the telephone to solicit sales or donations should not tape conversations without a beeping device or consent.

19. All telephone contacts should be made during reasonable hours.

20. Direct marketers and fund raisers should clearly state at the outset whether a telephone, direct mail or other media contact is for research or survey purposes and/or whether the intent is to sell or raise funds.

21. Direct response marketers using the telephone should make every effort not to accept orders from minors without the consent of the parents.

22. Conscientious efforts should be made not to call telephone subscribers who have unlisted or unpublished telephone numbers unless a prior relationship exists, and telemarketers should remove that person's name from their contact lists when requested to do so.

23. Direct response marketers should make no percentage or commission arrangements whereby any person or firm assisting or participating in a fund raising activity is paid a fee proportionate to the funds raised, nor should they solicit for non-existent or non-functioning organizations.

24. Direct response marketers who sell instruction, catalogs, or merchandise-for-resale, or sell or rent lists should not use misleading or deceptive statements with respect to the earning possibilities, lack of risk, or ease of operation.

25. Those who rent, exchange or purchase lists should make every effort to ascertain the origin, current ownership and market profile of such lists in the interests of directing their promotions only to those segments of the public most likely to be interested in their causes or to have a use for their products or services.

26. Those who permit the outside use of their lists should at all times be aware it is not in the best interests of the public or of themselves to allow their lists to be used by organizations that do not observe the DMMA Guidelines for Ethical Business Practice.

27. Direct response marketers who rent or exchange their lists should offer to all those whose names appear on such lists the option to have their names not included when rental or exchanges are made. They should also make conscientious efforts to remove names from their customer or donor lists when requested, either directly or in accordance with the DMMA Mail Preference Service.

28. No lists should be used in violation of the lawful rights of the list owner and any such misuse should be brought to the attention of the lawful owner.

Basic Principles Contained in the Better Business Bureau Code of Advertising

- The primary responsibility for truthful and non-deceptive advertising rests with the advertiser. Advertisers must be prepared to substantiate any claims or offers made before publication and, upon request, present substantiation promptly to the advertising medium or the Better Business Bureau.
- Advertisements which are untrue, misleading, deceptive, fraudulent, untruthfully disparaging of competitors, or insincere offers to sell, shall not be used.
- Advertisements should advise consumers of facts and qualities of a product that will allow a more intelligent choice.
- An advertisement as a whole may be misleading although every sentence separately considered is literally true. Misrepresentation may result not only from direct statements but by omitting or obscuring a material fact.

Procedures in Implementation of Ethical Guidelines

DMMA will seek to achieve observance of the Guidelines by an informal exchange of views between DMMA and direct response marketers whose practices appear not to be in accordance with the Guidelines.

If the question involved cannot be adjusted by the DMMA executive staff, the matter will be referred to the Ethics Committee for its consideration, investigation, determination and, if the facts warrant, referral of the complaint along with the DMMA Ethics Committee's investigation records, analysis and summary to the appropriate government or regulatory agency.

In addition to the above, those cases involving a DMMA member which cannot be adjusted by the Ethics Committee will be recommended to the DMMA Board of Directors for its consideration and appropriate action.

Guidelines relative to the print, broadcast and telephone media—Suggested Guidelines for the Acceptance of Print Mail Order Advertising, Suggested Guidelines for the Acceptance of Direct Response Broadcast Advertising and Suggested Guidelines for Marketing by Telephone—follow.

Suggested Guidelines for Marketing by Telephone

With the increasing use of the telephone as a means to reach consumers, these guidelines reflect DMMA's desire to help advertisers/marketers maintain ethical practices in this form of communication.

The four basic ways the telephone is used by marketers are:

1. **Outgoing telephone contact to consumers and/or businesses.**
2. **Incoming telephone contact with consumers and/or businesses.**
3. **Combination of both incoming and outgoing WATS. (WATS is Wide Area Telephone System—800 numbers.)**
4. **Incoming and outgoing telephone contact by agencies/agents who perform client services.***

Although DMMA's *Guidelines for Ethical Business Practice* apply to users of every medium, the following suggestions are directed toward those marketers who initiate outgoing contact by telephone with the consumer market.

Guidelines for Outgoing Telephone Calls

1. Advertisers/marketers selling products or services or raising funds for nonprofit organizations should make their telephone presentations clear and honest. There should be no attempt to mislead, exaggerate or to use partial truths. Telephone marketers should not make calls in the guise of research or a survey when the real intent is to sell.
2. Telephone contacts should be made within the framework of federal, state and local laws. Taping of telephone conversations is illegal without a beeping device.
3. Telephone contacts to consumers should be made during reasonable hours.
4. Telephone orders should not be accepted from minors without adult approval. (The legal definition of a minor may vary from state to state.)
5. Telephone marketers should not use what is commonly referred to as "high pressure" tactics. They should observe the normal rules of telephone courtesy.
6. Telephone marketers should make conscientious efforts to remove names from their contact lists when requested to do so.
7. Telephone marketers should not call unlisted or unpublished telephone numbers unless a current telephone relationship exists.

Suggested Guidelines for Acceptance of Print Mail Order Advertising

This set of guidelines does not attempt to deal with the legalities of advertising procedures, but rather the ethics. Nor does it deal with the do's-and-don'ts of technical copywriting. It does deal with DMMA's desire to promote more honesty in mail order advertising, more credibility in the eyes of the consumer, and thereby, more business for publishers and their advertisers.

There are basically two types of complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

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*Telephone marketing agencies should carefully scrutinize both the offer and the principal(s) sponsoring the offer to make sure they meet the criteria of the *Suggested Guidelines for the Acceptance of Print Mail Order Advertising* and/or *Suggested Guidelines for Acceptance of Direct Response Broadcast Advertising.*

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are *after-the-fact* problems, or *after* the ad has appeared.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with *before* the ad appears.

Helpful Consumer Advice

Publishers and consumers should be aware that it takes 3 or 4 weeks for normal delivery of merchandise. Although it may serve as a sales deterrent, publishers may wish to include this information on their mail order pages—along with other helpful advice such as:

a) Be sure to print your order clearly.
b) Print the name and address to which the order is to be shipped.
c) Be sure to include your Zip Code on your order, as well as the company's Zip Code on the envelope.
d) Send checks or money orders only; no cash.

Publishers should ask for a sample of the merchandise when the ad is in the least bit suspicious. For example, if the offer seems too good to be true, be sure to get a sample. A *production* sample, not a handmade mock-up. If the advertiser cannot submit the sample before the closing date, pass, and wait until the next closing date. When you get the sample and you feel certain copy changes should be made to make the offer more representative, ask for them. You'll be surprised how many advertisers are glad to comply with your requests.

Warning Signals

If the advertiser is new to your publication and plans to run a large ad, check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet when you have bad experiences, let these agencies know that as well.

Here are some warning signals:

1) Experience trains your intuition. If some intuitive reaction tells you to check an ad out very thoroughly, do so. Don't let it slip by.
2) If the business was "too easy to get," or if a large order came in "over the transom"—be suspicious. Check out the credit. Check out the offer. Check out the source.
3) When the "buy" isn't smart—wrong season, wrong regions, wrong product for your publication—check it out. Some advertisers flood the market with impressive looking contracts, hoping some will get by.
4) When an advertiser breaks all the rules in setting up an ad, be suspicious. He may indeed be the new creative genius on the scene, but more often than not, something is awry.
5) If the offer is vague, don't approve it. If you have read the copy through twice, and you still don't know what you're getting, ask the advertiser for a clarification of the copy. Don't accept an offer unless it is spelled out.
6) Make yourself the surrogate reader. Is the copy outlandish? Are the claims so strong as to be unbelievable? Be particularly wary of ads that claim to cure physical ills such as arthritis, psoriasis, gout.
7) Taste is a subjective matter, and each publisher must decide what is in good or bad taste for his audience. However, don't be afraid to ask for a new illustration or a copy change if you feel the ad has gone too far. You will probably get it.
8) The publisher should know the street address and telephone number of every advertiser. In many cities (such as New York) post office box numbers must be accompanied by a street address. If the company is very small, know the home address and phone number of the principal.

Complaints: How to Appraise Them—What to Do With Them

Keep a tally of the complaints you receive. It can be a simple sheet like a "scorecard" or a sophisticated computer printout week by week. However you do it, keep score.

When the number gets out of proportion to the size of the ad, the amount of circulation covered, give the first warning to the advertiser by phone. Note the date. If complaints persist, issue a second and third warning—preferably in writing. After such warnings, it is suggested that the publisher consider dropping this advertiser from the publication. Bear in mind that for each complaint you get, there are probably many more with similar unhappy experiences.

Establish a procedure for handling reader complaints.

Recommended Policy

The publisher should stand behind his advertising pages if one of his advertisers defaults on shipment or defrauds his readers. If all attempts fail to obtain replacement of merchandise or refunds for the reader directly from the advertiser, the publisher should consider—in the interests of good business—a refund to the reader himself. He should then continue to try to be reimbursed by the advertiser.

Keep the lines of communication open within your own organization. When complaints start mounting, advise your own credit department. Frequently, nondelivery problems go hand-in-hand with credit problems.

Reinstatement of an Advertiser

Once you have resolved an old complaint situation, it is entirely possible this advertiser will want to come back into your book. At the time you reinstate an advertiser who has had a bad complaint record, it is a good idea to require a "performance bond." This is an amount of money to be held in escrow (by the publisher) equal to at least 2 times the value of the complaints received the last time the ad ran. If the complaint situation repeats itself, you should then consider dropping the offending advertiser indefinitely.

Suggested Guidelines for Acceptance of Direct Response Broadcast Advertising

This set of guidelines deals with DMMA's desire to help stations maintain ethical practices in direct response advertising, and to promote more credibility in the eyes of the consumer, and thereby, more business for radio and television stations and their advertisers. It does not attempt to deal with the legalities of advertising procedures.

We suggest that if you make sure all commercials have been NAB code-approved before you air them, a good share of the problems will be solved, not only legalities but complaints.

There are basically two principal types of direct response complaints:

1) Nondelivery of merchandise
2) Misrepresentation of offer

The nondelivery of merchandise caused by an honest miscalculation of the success of an offer, a strike, a production mishap—can all be dealt with by simple procedures. These are *after-the-fact* problems appearing *after* the commercial has been aired.

The complaints of a far worse nature deal with misrepresentation of advertised merchandise. These should be dealt with *before* the commercial is aired.

Helpful Consumer Advice

Stations and consumers should be aware of the number of weeks it takes for delivery of merchandise. Although some advertisers may believe it may serve as a sales deterrent, stations may wish to advise advertisers to include this information in the commercial. Other helpful advice to the consumer which might also be included is the following:

a) Print the name and address to which the order is to be shipped.
b) Be sure to include your Zip Code on your order, as well as the company's Zip Code on the envelope.
c) Send checks or money orders only; no cash.

Ask for a sample of the merchandise when the commercial is in the least bit suspicious. For example, if the offer seems "too good to be true," be sure to get a sample. This sample should be a regular *production* sample, not a handmade mock-up. If the advertiser cannot submit the sample before the commercial's air date, do not run it, but wait until the sample has been received. When you get the sample and you feel certain copy and/or visual changes should be made to make the commercial more representative, ask for them. You will be surprised how many advertisers will be glad to comply with your requests.

Procedures for Checking

We realize you probably have procedures that are followed when checking advertisers' authenticity and credit, but we feel these two items are worth repeating in this set of guidelines in order that you can protect the consumer.

a) Obtain information about the advertiser or principals behind the company, if you have reason to doubt a firm's authenticity. Addresses, telephone numbers, as well as personal references are useful. In many cities (such as New York) post office box numbers must be accompanied by a street address. Often merely requesting such information will deter unethical advertisers.

b) If the advertiser is new to your station check to verify integrity, stability and performance of the advertiser. The Better Business Bureau, the local consumer agencies, and the post office in the advertiser's area are good sources to check. Better yet, when you have bad experiences, let these agencies know that as well.

Some Suggestions

Here are some suggestions which we feel you might want to consider:

1) Insure that the advertising message is presented with courtesy and good taste. Disturbing or annoying material should be avoided. However, do not be afraid to ask for a revision in the commercial or a copy change if you feel the commercial has gone too far.

2) Experience trains your intuition. If an intuitive reaction tells you to check an offer out very thoroughly, do so. Do not let it slip by.

3) If the business was "too easy to get", or if a large time buy came in "over the transom"—be suspicious.

4) Examine whether the commercial offers misleading descriptions or visual misrepresentations of any premiums, or merchandise or gifts which would distort or enlarge their value in the minds of the consumers.

5) If the offer is vague, do not approve it. If you have read the copy through twice, and you still do not know what you are getting, ask the advertiser for a clarification of the copy. Do not accept an offer unless it is clearly spelled out.

6) Insure that on-screen copy and/or the voice-over adequately specify the terms of the offer and the merchandise. Insure that on-screen crawls are readable. Be certain that they move slowly enough to be read by the average viewer. If the consumer obtains unsatisfactory treatment from the advertiser, he will blame you. Insure that both visual and audio claims support each other.

7) Make yourself the surrogate viewer or listener. Are the copy and/or pictures outlandish? Are the claims so strong as to be unbelievable?

After the Commercial Has Appeared

1. Keep a tally of the complaints you may receive for a direct response commercial. If such complaints occur frequently, discuss them with the advertiser. Satisfy yourself of the veracity of the claims and that the advertiser is taking action on the problems.
2. Maintain a private and confidential file of problem advertisers. Consult it before airing a commercial. Check it when you begin dealings with a new advertiser.
3. Stand behind the sponsor and the product you have advertised. Remember that the consumer identifies you with the advertisement. Often, in a direct response commercial, the sponsor's name will not even appear. Consequently, the dissatisfied consumer will turn to you.
4. If you sense a problem, send in a "dummy order". Pretend you are a consumer, and place an order. Test your advertisers' responsiveness.

Appendix IV
U.S. Direct Mail/Marketing Clubs and Contacts

ARIZONA

Phoenix
Mr. Otto F. Meyer
President
The Phoenix Direct Marketing Club
3612 West Dunlap, Suite A
Phoenix, AZ 85021
602/841-2073

CALIFORNIA

Los Angeles
Mr. Freeman F. Gosden, Jr.
President
Direct Marketing Club of Southern California
c/o Smith/Hemmings/Gosden
3360 Flair Drive
El Monte, CA 91731
213/571-6600

San Diego
Mr. James R. Rosenfield
Mr. Gilbert S. Mombach
Co-Chairmen
San Diego Direct Marketing Club
Mr. James R. Rosenfield
c/o Monex International, Ltd.
4910 Birch Street
Newport Beach, CA 92660
714/752-1400

Gilbert S. Mombach
c/o The Krupp Organization
2252 Caminito Preciosa Sur
La Jolla, CA 92037
714/270-6320

San Francisco
Mr. Dick Evans
President

Mr. Clifton Mayne
Chairman, Direct Mail Dept.
San Francisco Advertising Club
Ms. Paula Byrens, Director
681 Market Street
San Francisco, CA 94105

Mr. Clifton Mayne
c/o Lewis & Mayne
645 Harrison
San Francisco, CA 94107

COLORADO

Denver
Mr. Ed Culligan
President
Denver Direct Marketing Club
c/o Marketing Management Concepts
4890 Ironton, Unit H
Denver, Colorado 80239
303/373-4744

DISTRICT OF COLUMBIA

Washington, DC
Mr. James Bullard
President
Direct Marketing Club of Washington
608 H Street, SW
Washington, DC 20024
c/o Congressional Quarterly
1414 22nd Street, NW
Washington, DC 20037

FLORIDA

Punta Gorda
Ms. Margaret Rolfs
President
Florida Mail Marketing Association
c/o Direct Response Services
5444 Bay Center Drive
Tampa, FL 33609
813/870-1806

ILLINOIS

Chicago
Ms. Susan Kryl
President
Chicago Association of Direct Marketing
Mrs. Natalie Holmes, Executive Secretary
221 North LaSalle Street
Chicago, IL 60601
312/346-1600

Ms. Susan Kryl
c/o Maxwell Sroge Co.
303 East Ohio Street
Chicago, IL 60611
312/266-4900

MASSACHUSETTS

Boston
Mr. Larry Goldman
President
New England Direct Marketing Association
c/o Boston Envelope Company
150 Royall Street
Canton, MA 02021
617/828-6100

MICHIGAN

Detroit
Mr. Bill Poirier
President
Direct Marketing Association of Detroit
606 Michigan Building
Detroit, MI 48226

Bill Poirier
c/o Automobile Club of Michigan
Auto Club Drive
Dearborn, MI 48126
313/336-1507

MINNESOTA

Minneapolis/St. Paul
Mr. Les Newcomb
President
Midwest Mail Marketing Association
c/o Mail House, Inc.
210 North Second Street
Minneapolis, MN 55401
612/339-8701

MISSOURI

Kansas City
Mr. Al Tikwart
President
Kansas City Direct Marketing Club
c/o American Lithographers
325 East 31st Street
Kansas City, MO 64108
816/561-5443

St. Louis
Ms. Susan Shuessel
President
Direct Marketing Club of St. Louis
c/o R.L. Polk Company
16301 Fontaine Road – Suite 105
Chesterfield, MO 63017
314/532-2214

NEW JERSEY

Princeton
Mr. G. Morgan Jones, III
President
New Jersey Direct Marketing Club
20 Nassau Street
Princeton, NJ 08540
609/924-9488

NEW YORK

Long Beach
Ms. Gloria Frumberg
President
Women's Direct Response Group
c/o Encyclopaedia Britannica
89 Indiana Avenue
Long Beach, NY 11561
516/889-0582

Long Island
Mr. Bernard Lande
President
Long Island Direct Marketing Association
c/o Research Projects Corporation
50 Clinton Street
Hempstead, NY 11550
516/481-4410

New York City
Mr. John Pahmer
President

Hundred Million Club
c/o 180 West End Avenue
New York, NY 10023
212/595-5106

OHIO

Cincinnati

Mr. Wm. Budge Wallis, Jr.
President
Ohio Valley Direct Marketing Club
c/o S & W Publishing
9933 Alliance Road
Cincinnati, OH 45242
513/984-0717

Cleveland

Mr. Robert Silverman
Coordinator
Direct Marketing Course of the Cleveland Advertising Club
Ms. Barbara Hacker
c/o Cleveland Plaza Hotel
East 12th & Euclid
Cleveland, OH 44115
216/241-4807

PENNSYLVANIA

Philadelphia

Mr. Tony Liotta
President
Philadelphia Direct Mail Club, Inc.
Ms. Betty Hagerty
754 North Ringold
Philadelphia, PA 19130

Mr. Tony Liotta
c/o Mid-City Press
24th & Locust Streets
Philadelphia, PA 19103
215/561-8300

TEXAS

Dallas

Mr. Earl Warren
President
Direct Marketing Club of North Texas
c/o Make It With Leather Magazine
P.O. Box 1386
Ft. Worth, TX 76101
817/335-4161 ext. 635

Houston

Mr. John Glazier
President
Houston Direct Mail Marketing Club
360 Garden Oaks Boulevard
Houston, TX 77018

Appendix V
Glossary

Access Time: The time it takes a computer to locate a piece of information in memory or storage and to take action, i.e., the "read" time. Also, the time it takes a computer to store a piece of information and to complete action, i.e., the "write" time.

Action Devices: Items and techniques used in a mailing to initiate the response desired.

Active Buyer: A buyer whose latest purchase was made within the last twelve months. *(See Buyer.)*

Active Customer: A term used interchangeably with "active buyer".

Active Member: Any member who is fulfilling the original commitment or who has fulfilled that commitment and has made one or more purchases in the last twelve months.

Active Subscriber: One who has committed for regular delivery of magazines, books or other goods or services for a period of time still in effect.

Actives: Customers on a list who have made purchases within a prescribed time period, usually not more than one year; subscribers whose subscriptions have not expired.

Additions: New names, either of individuals or companies, added to a mailing list.

Add-On Service: Service of Direct/Mail Marketing Assn. which gives consumers an opportunity to request that their names be added to mailing lists.

Address Coding Guide (CG): Contains the actual or potential beginning and ending house numbers, block group and/or enumeration district numbers, ZIP Codes, and other geographic codes for all city delivery service streets served by 3,154 post offices located within 6,601 ZIP Codes.

Address Correction Requested: An endorsement which, when printed in the upper left-hand corner of the address portion of the mailing piece (below the return address), authorizes the U.S. Postal Service, for a fee, to provide the known new address of a person no longer at the address on the mailing piece.

A.I.D.A.: The most popular formula for the preparation of direct mail copy. The letters stand for Get Attention, Arouse Interest, Stimulate Desire, Ask for Action.

Alphanumeric. A contraction of "alphabetic" and "numeric". Applies to any coding system that provides for letters, numbers (digits), and special symbols such as punctuation marks. Synonymous with Alphameric.

Assigned Mailing Dates: The dates on which the list user has the obligation to mail a specific list. No other date is acceptable without specific approval of the list owner.

Audience: The total number of individuals reached by a promotion or advertisement.

Audit: Printed report of the counts involved in a particular list or file.

Back End: The activities necessary to complete a mail order transaction once an order has been received and/or the measurement of a buyer's performance after he has ordered the first item in a series offering.

Bangtail: Promotional envelope with a second flap which is perforated and designed for use as an order blank.

Batch Processing: Technique of executing a set of computer programs/selections in batches as opposed to executing each order/selection as it is received. Batches can be created by computer programming or a manual collection of data into groups.

Batched Job: A job that is grouped with other jobs as input to a computing system, as opposed to a transaction job entry where the job is done singly to completion.

Bill Enclosure: Any promotional piece or notice enclosed with a bill, an invoice or a statement not directed toward the collection of all or part of the bill, invoice or statement.

Binary: Involves a selection, choice or condition in which there are two possibilities such as the use of the symbols "0" and "1" in a numbering system.

Bingo Card: A reply card inserted in a publication and used by readers to request literature and samples from companies whose products and services are either advertised or mentioned in editorial columns.

Bit: A single character or element in a binary number (digit). The smallest element of binary machine language represented by a magnetized spot on a recording surface or a magnetized element of a storage device.

Bounce Back: An offer enclosed with mailings sent to a customer in fulfillment of an order.

BPI (Bytes Per Inch): Characters, represented in bytes, per inch.

Broadcast Media: A direct response source that includes radio, television and cable TV.

Broadside: A single sheet of paper, printed on one side or two, folded for mailing or direct distribution, and opening into a single, large advertisement.

Brochure: Strictly, a high-quality pamphlet, with especially planned layout, typography and illustrations. Term is also used loosely for any promotional pamphlet or booklet.

Bucktag: A separate slip attached to a printed piece containing instructions to route the material to specific individuals.

Bulk Mail: A category of Third Class Mail involving a large quantity of identical pieces but addressed to different names which are specially processed for mailing before delivery to the post office.

Business List: Any compilation or list of individuals or companies based upon a business-associated interest, inquiry, membership, subscription or purchase.

Buyer: One who orders merchandise, books, records, information or services. Unless another modifying word or two is used, it is assumed that a buyer has paid for all merchandise to date.

Burst: To separate continuous form paper into discrete sheets.

Byte: Sequence of adjacent binary digits operated upon as a unit and usually shorter than a computer word. A character is usually considered a byte. (A single byte can contain either two numeric characters or one alphabetic or special character).

Cash Buyer: A buyer who encloses payment with order.

Cash Rider: Also called "cash up" or "cash option" wherein an order form offers installment terms, but a postscript offers the option of sending full cash payment with order, usually at some saving over the credit price as an incentive.

C/A: Change of address.

Catalog: A book or booklet showing merchandise, with descriptive details and prices.

Catalog Buyer: A person who has bought products or services from a catalog.

Catalog Request (Paid or Unpaid): One who sends for a catalog (prospective buyer). The catalog may be free; there may be a nominal charge for postage and handling, or there may be a more substantial charge that is often refunded or credited on the first order.

Census Tract: Small geographical area established by local committees, and approved by the Census Bureau, which contains a population segment with relatively uniform economic and social characteristics with clearly identifiable boundaries averaging approximately 1,200 households.

Cheshire Label: Specially prepared paper (rolls, fanfold or accordion fold) used to reproduce names and addresses to be mechanically affixed, one at a time, to a mailing piece.

Circulars: General term for printed advertising in any form, including printed matter sent out by direct mail.

Cleaning: The process of correcting and/or removing a name and address from a mailing list because it is no longer correct or because the listing is to be shifted from one category to another.

Cluster Selection: A selection routine based upon taking a group of names in series, skipping a group, taking another group, etc. E.g.—a cluster selection on an nth name basis might be the first 10 out of every 100 or the first 125 out of 175, etc.; a cluster selection using limited ZIP Codes might be the first 200 names in each of the specified ZIP Codes, etc.

Coding: (1) Identifying devices used on reply devices to identify the mailing list or other source from which the address was obtained. (2) A structure of letters and numbers used to classify characteristics of an address on a list.

Collate: (1) To assemble individual elements of a mailing in sequence for inserting into a mailing envelope. (2) A program which combines two or more ordered files to produce a single ordered file. Also the act of combining such files. Synonymous with merge as in Merge-Purge.

Commission: A percentage of sale, by prior agreement, paid to the list broker, list manager, or other service arm for their part in the list usage.

Compile: The process by which a computer translates a series of instructions written in a programming language into actual machine language.

Compiled List: Names and addresses derived from directories, newspapers, public records, retail sales slips, trade show registrations, etc., to identify groups of people with something in common.

Compiler: Organization which develops lists of names and addresses from directories, newspapers, public records, registrations and other sources, identifying groups of people, companies or institutions with something in common.

Completed Cancel: One who has completed a specific commitment to buy products or services before cancelling.

Comprehensive: Complete and detailed layout for a printed piece. Also: "Comp", "Compre".

Computer: Data processor that can perform substantial computation, without intervention by a human.

Computer Compatibility: Ability to interchange the data or programs of one computer system with one or more other computers.

Computer Letter: Computer-printed message providing personalized, fill-in information from a source file in pre-designated positions. May also be full-printed letter with personalized insertions.

Computer Personalization: Printing of letters or other promotional pieces by a computer using names, addresses, special phrases, or other information based on data appearing in one or more computer records. The objective is to use the information in the computer record to tailor the promotional message to a specific individual.

Computer Program: Series of instructions or statements prepared to achieve a certain result.

Computer Record: All of the information about an individual, company, or transaction stored on a specific magnetic tape or disc.

Computer Service Bureau: An internal or external facility providing general or specific data processing services.

Consumer List: A list of names (usually at home address) compiled, or resulting, from a common inquiry or buying activity indicating a general or specific buying interest.

Continuity Program: Products or services bought as a series of small purchases, rather than all at one time. Generally based on a common theme and shipped at regular or specific time intervals.

C.T.O.: Contribution to overhead (profit).

Contributor List: Names and addresses of persons who have given to a specific fund raising effort. *(See Donor List.)*

Controlled Circulation: Distribution at no charge of a publication to individuals or companies on the basis of their titles or occupations. Typically, recipients are asked from time to time to verify the information that qualifies them to receive the publication.

Controlled Duplication: A method by which names and addresses from two or more lists are matched (usually by computer) in order to eliminate or limit extra mailings to the same name and address.

Continuous Form: Paper forms designed for computer printing that are folded, and sometimes perforated, at predetermined vertical measurements. These may be letters, vouchers, invoices, cards, etc.

Conversion: (1) Process of changing from one method of data processing to another, or from one data processing system to another. Synonymous with Reformatting. (2) To secure specific action such as a purchase or contribution from a name on a mailing list or as a result of an inquiry.

Co-op Mailing: A mailing of two or more offers included in the same envelope or other carrier, with each participating mailer sharing mailing costs according to some predetermined formula.

C.P.I. (Cost Per Inquiry): A simple arithmetical formula derived by dividing the total cost of a mailing or an advertisement by the number of inquiries received.

C.P.O. (Cost Per Order): Similar to Cost Per Inquiry except based on actual orders rather than inquiries.

C.P.M. (Cost Per Thousand): Refers to total cost-per-thousand pieces of direct mail "in the mail".

Coupon: Part of an advertising promotion piece intended to be filled in by the inquirer or customer and returned to the advertiser.

Coupon Clipper: One who has given evidence of responding to free or nominal-cost offers out of curiosity, with little or no serious interest or buying intent.

Deadbeat: One who has ordered a product or service and, without just cause, hasn't paid for it.

Decoy: A unique name especially inserted in a mailing list for verifying list usage.

Delinquent: One who has fallen behind or has stopped scheduled payment for a product or service.

Delivery Date: The date a list user or a designated representative of the list user receives a specific list order from the list owner.

Demographics: Socio-economic characteristics pertaining to a geographic unit (county, city, sectional center, ZIP Code, group of households, education, ethnicity, income level, etc.).

Direct Mail Advertising: Any promotional effort using the Postal Service, or other direct delivery service, for distribution of the advertising message.

Direct Response Advertising: Advertising, through any medium, designed to generate a response by any means (such as mail, telephone, or telegraph) that is measurable.

Donor List: A list of persons who have given money to one or more charitable organizations. *(See Contributor List)*

Doubling Day: A point in time established by previous experience when 50% of all returns to a mailing will normally be received.

Dummy: (1) A mock-up giving a preview of a printed piece, showing placement and nature of the material to be printed. (2) A fictitious name with a mailable address inserted into a mailing list to check on usage of that list.

Dupe (Duplication): Appearance of identical or nearly identical entities more than once.

Duplication Elimination: A specific kind of controlled duplication which provides that: no matter how many times a name and address is on a list, and how many lists contain that name and address, it will be accepted for mailing only once by that mailer. Also referred to as "dupe elimination".

Editing Rules: Specific rules used in preparing name and address records that treat all elements the same way at all times. Also, the rules for rearranging, deleting, selecting, or inserting any needed data, symbols and/or characters.

Envelope Stuffer: Any advertising or promotional material enclosed in an envelope with business letters, statements or invoices.

Exchange: An arrangement whereby two mailers exchange equal quantities of mailing list names.

Expire: A former customer who is no longer an active buyer.

Expiration: A subscription which is not renewed.

Expiration Date: Date a subscription expires.

Field: Reserved area in a computer which services a similar function in all records of the file. Also, location on magnetic tape or disc drive which has definable limitations and meaning: e.g., Position 1-30 is the Name Field.

File Maintenance: The activity of keeping a file up-to-date by adding, changing, or deleting data (all or part). Synonymous with List Maintenance. *(See Update)*

Fill-In: A name, address or other words added to a preprinted letter.

First-Time Buyer: One who buys a product or service from a specific company for the first time.

Fixed Field: A way of laying out, or formatting, list information in a computer file that puts every piece of data in a specific position relative to every other piece of data, and limits the amount of space assigned to that data. If a piece of data is missing from an individual record, or if its assigned space is not completely used, that space is not filled (every record has the same space and the same length). Any data exceeding its assigned space limitation must be abbreviated or contracted.

Former Buyer: One who has bought one or more times from a company with no purchase in the last twelve months.

Free-Standing Insert: A promotional piece loosely inserted or nested in a newspaper or magazine.

Frequency: The number of times an individual has ordered within a specific period of time. *(See Monetary Value* and *Recency)*

Friend-Of-A-Friend (Friend Recommendation): The result of one party sending in the name of someone considered to be interested in a specific advertiser's product or service; a third party inquiry.

Front End: Activities necessary, or the measurement of direct marketing activities, leading to an order or a contribution.

Fund Raising List: Any compilation or list of individuals or companies based on a known contribution to one or more fund raising appeals.

Geographics: Any method of subdividing a list, based on geographic or political subdivisions (ZIP Codes, sectional centers, cities, counties, states, regions).

Gift Buyer: One who buys a product or service for another.

Gimmick: Attention-getting device, usually dimensional, attached to a direct mail printed piece.

Guarantee: A pledge of satisfaction made by the seller to the buyer and specifying the terms by which the seller will make good his pledge.

Hot-Line List: The most recent names available on a specific list, but no older than three months. In any event, use of the term "hot-line" should be further modified by "weekly," "monthly", etc.

House List: Any list of names owned by a company as a result of compilation, inquiry or buyer action, or acquisition, that is used to promote that company's products or services.

House-List Duplicate: Duplication of name-and-address records between the list user's own lists and any list being mailed by him on a one-time use arrangement.

Inquiry: One who has asked for literature or other information about a product or service. Unless otherwise stated, it is assumed no payment has been made for the literature or other information. *(Note: A Catalog request is generally considered a specific type of inquiry).*

Installment Buyer: One who orders goods or services and pays for them in two or more periodic payments after their delivery.

Inter-List Duplicate: Duplication of name and address records *between* two or more lists, other than house lists, being mailed by a list user.

Intra-List Duplicate: Duplication of name and address records *within* a given list.

K: Used in reference to computer storage capacity, generally accepted as 1,000. Analogous to M in the direct marketing industry.

Key: One or more characters within a data group that can be used to identify it or control its use. Synonymous with Key Code in mailing business.

Key Code (Key): A group of letters and/or numbers, colors, or other markings, used to measure specific effectiveness of media, lists, advertisements, offers, etc., or any parts thereof.

Keyline: Can be any one of many partial or complete descriptions of past buying history coded to include name-and-address information and current status.

KBN: (Kill Bad Name): Action taken with undeliverable addresses; i.e., nixies. You KBN a nixie.

Label: Piece of paper containing the name and address of the recipient which is applied to a mailing for address purposes.

Layout: (1) Artist's sketch showing relative positioning of illustrations, headlines and copy. (2) Positioning subject matter on a press sheet for most efficient production.

Letterhead: The printing on a letter that identifies the sender.

Lettershop: A business organization that handles the mechanical details of mailings such as addressing, imprinting, collating, etc. Most lettershops offer some printing facilities and many offer some degree of creative direct mail services.

List (Mailing List): Names and addresses of individuals and/or companies having in common a specific interest, characteristic or activity.

List Broker: A specialist who makes all necessary arrangements for one company to use the list(s) of another company. A broker's services may include most, or all, of the following: research, selection, recommendation and subsequent evaluation.

List Buyer: Technically, this term should apply only to one who actually buys mailing lists. In practice, however, it is usually used to identify one who orders mailing lists for one-time use; a List User or Mailer.

List Cleaning: The process of correcting and/or removing a name and/or address from a mailing list because it is no longer correct. Term is also used in the identification and elimination of house list duplication.

List Compiler: One who develops lists of names and addresses from directories, newspapers, public records, sales slips, trade show registrations and other sources for identifying groups of people or companies with something in common.

List Exchange: A barter arrangement between two companies for the use of a mailing list(s). May be: list for list, list for space, or list for comparable value–other than money.

List Maintenance: Any manual, mechanical or electronic system for keeping name-and-address records (with or without other data) up-to-date at any specific point(s) in time.

List Manager: One who, as an employee of a list owner or as an outside agent, is responsible for the use, by others, of a specific mailing list(s). The list manager generally serves the list owner in several or all of the following capacities: list maintenance (or advice thereon), list promotion and marketing, list clearance and record keeping, collecting for use of the list by others.

List Owner: One who, by promotional activity or compilation, has developed a list of names having something in common; or one who has *purchased* (as opposed to rented, reproduced, or used on a one-time basis) such a list from the developer.

List Rental: An arrangement whereby a list owner furnishes names to a mailer, together with the privilege of using the list on a one-time basis only (unless otherwise specified in advance). For this privilege, the list owner is paid a royalty by the mailer. ("List Rental" is the term most often used although "List Reproduction" and "List Usage" more accurately describe the transaction, since "Rental" is not used in the sense of its ordinary meaning of leasing property.)

List Royalty: Payment to list owners for the privilege of using their names on a one-time basis.

List Sample: A group of names selected from a list in order to evaluate the responsiveness of that list.

List Segmentation: *(See List Selection).*

List Selection: Characteristics used to define smaller groups within a list (essentially, lists within a list). Although very small, select groups may be very desirable and may substantially improve response; increased costs, however, often render them impractical.

List Sequence: The order in which names and addresses appear in a list. While most lists today are in ZIP Code sequence, some are alphabetical by name within the ZIP Code; others are in carrier sequence (postal delivery); and still others may (or may not) use some other order within the ZIP Code. Some lists are still arranged alphabetically by name or chronologically, and in many other variations or combinations.

List Sort: Process of putting a list in a specific sequence or from another sequence or no sequence.

List Test: Part of a list selected to try to determine the effectiveness of the entire list. *(See List Sample)*

List User: One who uses names and addresses on someone else's list as prospects for the user's product or service; similar to Mailer.

Load Up: Process of offering a buyer the opportunity of buying an entire series at one time after the customer has purchased the first item in that series.

Magnetic Tape: A storage device for electronically recording and reproducing, by use of a computer, defined bits of data.

Mail Date: Date a list user, by prior agreement with the list owner, is obligated to mail a specific list. No other date is acceptable without specific approval of the list owner.

Mailer: (1) A direct mail advertiser who promotes a product or service using lists of others or house lists or both. (2) A printed direct mail advertising piece. (3) A folding carton, wrapper or tube used to protect materials in the mails.

Mailgram: A combination telegram-letter, with the telegram transmitted to a postal facility close to the addressee and then delivered as first class mail.

Mailing Machine: A machine that attaches labels to mailing pieces and otherwise prepares such pieces for deposit in the postal system.

Mail Order Action Line (MOAL): A service of the Direct Mail/Marketing Association which assists consumers in resolving problems with mail order purchases.

Mail Order Buyer: One who orders, and pays for, a product or service through the mail. (Generally, an order telephoned in response to a direct response advertisement is considered a direct substitute for an order sent through postal channels.)

Mail Preference Service (MPS): A service of the Direct Mail/Marketing Association wherein consumers can request to have their names removed from, or added to, mailing lists. These names are made available to both members and non-members of the Association.

Master File: File that is of a permanent nature or regarded in a particular job as authoritative, or one that contains all sub files.

Match: A direct mail term used to refer to the typing of addresses, salutations or inserts onto letters with other copy imprinted by a printing process.

Match Code: A code determined either by the creator or the user of a file for matching records contained in another file.

MOAL: Acronym for Mail Order Action Line.

Monetary Value: Total expenditures by a customer during a specific period of time, generally twelve months.

MPS: Acronym for Mail Preference Service.

Multiple Buyer: One who has bought two or more times (not one who has bought two or more items, one time only); also a Multi-Buyer or Repeat Buyer.

Multiple Regression: Statistical technique used to measure the relationship between responses to a mailing with census demographics and list characteristics of one or more selected mailing lists. Used to determine the best types of people/areas to mail. This technique can also be used to analyze customers, subscribers, etc.

Name: Single entry on a mailing list.

Name Acquisition: Technique of soliciting a response to obtain names and addresses for a mailing list.

Name-Removal Service: Portion of Mail Preference Service offered by Direct Mail/Marketing Association wherein a consumer is sent a form which, when filled in and returned, constitutes a request to have the individual's name removed from all mailing lists used by participating members of the association and other direct mail users.

Negative Option: A buying plan in which a customer or club member agrees to accept and pay for products or services announced in advance at regular intervals *unless* the individual notifies the company, within a reasonable time after each announcement not to ship the merchandise. *(See Federal Trade Commission Regulations in Section 12)*

Nesting: Placing one enclosure within another before inserting into a mailing envelope.

Net Name Arrangement: An agreement, at the time of ordering or before, whereby the list owner agrees to accept adjusted payment for less than the total names shipped to the list user. Such arrangements can be for a percentage of names shipped or names actually mailed (whichever is greater) or for only those names actually mailed (without a percentage limitation). They can provide for a running charge or not.

Nixie: A mailing piece returned to a mailer (under proper authorization) by the Postal Service because of an incorrect, or undeliverable, name and address.

No-Pay: One who has not paid (wholly or in part) for goods or services ordered. "Uncollectable," "Deadbeat," and "Delinquent" are often used to describe the same person.

North/South Labels: Mailing labels that read from top to bottom and can be affixed with Cheshire equipment.

Novelty Format: An attention-getting direct mail format.

Nth Name Selection: A fractional unit that is repeated in sampling a mailing list. For example, in an "every tenth" sample, you would select the 1st, 11th, 21st, 32nd, etc. records—or the 2nd, 12th, 22nd, 32nd, etc., records, and so forth.

OCR (Optical Character Recognition): Machine identification of printed characters through use of light-sensitive devices.

Offer: The terms promoting a specific product or service.

One-Time Buyer: A buyer who has not ordered a second time from a given company.

One-Time Use Of A List: An intrinsic part of the normal list usage, list reproduction, or list exchange agreement in which it is understood that the mailer will not use the names on the list more than one time without specific prior approval of the list owner.

Open Account: A customer record that, at a specific time, reflects an unpaid balance for goods and services ordered, without delinquency.

Optical Scanner: An input device that optically reads a line of printed characters and converts each character into its electronic equivalent for processing.

Order Blank Envelopes: An order form printed on one side of a sheet, with a mailing address on the reverse. The recipient simply fills in the order, folds and seals like an envelope.

Order Card: A reply card used to initiate an order by mail.

Order Form: A printed form on which a customer can provide information to initiate an order by mail. Designed to be mailed in an envelope.

Package: A term used to describe all of the assembled enclosures (parts or elements) of a mailing effort.

Package Insert: Any promotional piece included in a product shipment. It may be for different products (or refills and replacements) from the same company or for products and services of other companies.

Package Test: A test of part or all of the elements of one mailing piece against another.

Paid Cancel: One who completes a basic buying commitment, or more, before cancelling the commitment. *(See Completed Cancel).*

Paid Circulation: Distribution of a publication to individuals or organizations which have paid for a subscription.

Paid During Service: Term used to describe a method of paying for magazine subscriptions in installments, usually weekly or monthly, and, usually, collected in person by the original sales person or a representative of that company.

Peel-Off Label: A self-adhesive label attached to a backing sheet which is attached to a mailing piece. The label is intended to be removed from the mailing piece and attached to an order blank or card.

Penetration: Relationship of the number of individuals or families on a particular list (by state, ZIP Code, S.I.C., etc.) compared to the total number possible.

Personalizing: Individualizing of direct mail pieces by adding the name or other personal information about the recipient.

Phone List: Mailing list compiled from names listed in telephone directories.

Piggy-Back: An offer that hitches a free ride with another offer.

Poly Bag: Transparent polyethylene bag used in place of envelopes for mailing.

Pop-Up: A printed piece containing a paper construction pasted inside a fold and which, when the fold is opened, "pops up" to form a three-dimensional illustration.

Positive Option: A method of distributing products and services incorporating the same advance notice technique as *Negative Option* but requiring a specific order each time from the member or subscriber. Generally, it is more costly and less predictable than Negative Option.

Postal Service Prohibitory Order: A communication from the Postal Service to a company indicating that a specific person and/or family considers the company's advertising mail to be pandering. The Order requires the company to remove from its own mailing list and from any other lists used to promote that company's products or services all names listed on the Order. Violation of the Order is subject to fine and imprisonment. Names listed on the Order are to be distinguished from those names removed voluntarily by the list owner at an individual's request.

Post Card: Single sheet self-mailers on card stock.

Post Card Mailers: Booklet containing business reply cards which are individually perforated for selective return, to order products or obtain information.

Premium: An item offered to a buyer, usually free or at a nominal price, as an inducement to purchase or obtain for trial a product or service offered via mail order.

Premium Buyer: One who buys a product or service to get another product or service (usually free or at a special price), or who responds to an offer of a special product (premium) on the package or label (or sometimes in the advertising) of another product.

Preprint: An advertising insert printed in advance and supplied to a newspaper or magazine for insertion.

Private Mail: Mail handled by special arrangement outside the Postal Service.

Program: A sequence of steps to be executed by the computer to solve a given problem or achieve a certain result.

Programming: Design, writing and testing of a program.

Prospect: A name on a mailing list considered to be a potential buyer for a given product or service but who has not previously made such a purchase.

Prospecting: Mailing to get leads for further sales contact rather than to make direct sales.

Protection: The amount of time, before and after the assigned mailing date, a list owner will not allow the same names to be mailed by anyone other than the mailer cleared for that specific date.

Psychographics: Any characteristics or qualities used to denote the lifestyle(s) or attitudes(s) of customers and prospective customers.

Publisher's Letter: A second letter enclosed in a mailing package to stress a specific selling point.

Purge: The process of eliminating duplicates and/or unwanted names and addresses from one or more lists.

Pyramiding: A method of testing mailing lists, in which one starts with a small quantity and, based on positive indications, follows with increasingly larger quantities of the list balance until the entire list is mailed.

Questionnaire: A printed form to a specified audience to solicit answers to specific questions.

Random Access: An access mode in which records are obtained from, or placed into, a mass storage file in a non-sequential manner so that any record can be rapidly accessed. Synonymous with Direct Access.

Recency: The latest purchase or other activity recorded for an individual or company on a specific customer list. *(See Frequency and Monetary Value).*

Reformatting: Changing a magnetic tape format from one arrangement to another, more usable format. Synonymous with Conversion (list or tape).

Renewal: A subscription that has been renewed prior to, or at, expiration time or within six months thereafter.

Repeat Buyer: *(See Multiple Buyer)*

Rental: *(See List Rental).*

Reply Card: A sender-addressed card included in a mailing on which the recipient may indicate his response to the offer.

Reply-O-Letter: One of a number of patented direct mail formats for facilitating replies from prospects. It features a die-cut opening on the face of the letter and a pocket on the reverse. An addressed reply card is inserted in the pocket and the name and address thereon shows through the die-cut opening.

Reproduction Right: Authorization by a list owner for a specific mailer to use that list on a one-time basis.

Response Rate: Percent of returns from a mailing.

Return Envelopes: Addressed reply envelopes, either stamped or unstamped—as distinguished from business reply envelopes which carry a postage payment guarantee—included with a mailing.

Return Postage Guaranteed: A legend imprinted on the address face of envelopes or other mailing pieces when the mailer wishes the Postal Service to return undeliverable third class bulk mail. A charge equivalent to the single piece, third class rate will be made for each piece returned. *(See List Cleaning).*

Return Requested: An indication that a mailer will compensate the Postal Service for return of an undeliverable mailing piece.

Returns: Responses to a direct mail program.

RFMR: Acronym for Recency-Frequency-Monetary Value Ratio, a formula used to evaluate the sales potential of names on a mailing list.

Rollout: To mail the remaining portion of a mailing list after successfully testing a portion of that list.

R.O.P. (Run of Paper or Run of Press): Usually refers to color printing which can be placed on any page of a newspaper or magazine.

Rough: Dummy or layout in sketchy form with a minimum of detail.

Royalties: Sum paid per unit mailed or sold for the use of a list, imprimatur, patent, etc.

Running Charge: The price a list owner charges for names run or passed, but not used by a specific mailer. When such a charge is made, it is usually to cover extra processing costs. However, some list owners set the price without regard to actual cost.

Run Of Paper: (1) A term applied to color printing on regular paper and presses, as distinct from separately printed sections made on special color presses. (2) Sometimes used to describe an advertisement positioned by publisher's choice—in other than a preferred position—for which a special charge is made.

Salting: Deliberate placing of decoy or dummy names in a list to trace list usage and delivery. *(See Decoy and Dummy).*

Sample Buyer: One who sends for a sample product, usually at a special price or for a small handling charge, but sometimes free.

Sample Package (Mailing Piece): An example of the package to be mailed by the list user to a particular list. Such a mailing piece is submitted to the list owner for approval prior to commitment for one-time use of that list. Although a sample package may, due to time pressure, differ slightly from the actual package used, the list user agreement usually requires the user to reveal any material differences when submitting the sample package.

Scented Inks: Printing inks to which a fragrance has been added.

Sectional Center (SCF or SCF Center): A Postal Service distribution unit comprising different Post Offices whose ZIP Codes start with the same first three digits.

Selection Criteria: Definition of characteristics that identify segments or sub-groups within a list.

Self-Cover: A cover of the same paper as the inside text pages.

Self-Mailer: A direct mail piece mailed without an envelope.

Sequence: An arrangement of items according to a specified set of rules or instructions. Refers generally to ZIP Code or customer number sequence.

S.I.C. (Standard Industrial Classification): Classification of businesses, as defined by the U.S. Department of Commerce.

Software: A set of programs, procedures and associated documentation concerned with operation of a data processing system.

Solo Mailing: A mailing promoting a single product or a limited group of related products. Usually it consists of a letter, brochure and reply device enclosed in an envelope.

Source Code: Unique alphabetical and/or numeric identification for distinguishing one list or media source from another. *(See Key Code).*

Source Count: The number of names and addresses, in any given list, for the media (or list sources) from which the names and addresses were derived.

Split Test: Two or more samples from the same list—each considered to be representative of the entire list—used for package tests or to test the homogeneity of the list.

State Count: The number of names and addresses, in a given list, for each state.

Statement Stuffer: A small, printed piece designed to be inserted in an envelope carrying a customer's statement of account.

Step Up: The use of special premiums to get a mail order buyer to increase his unit of purchase.

Stock Art: Art sold for use by a number of advertisers.

Stock Cut: Printing engravings kept in stock by the printer or publisher for occasional use.

Stock Formats: Direct mail formats with preprinted illustrations and/or headings to which an advertiser adds his own copy.

Stopper: Advertising slang for a striking headline or illustration intended to attract immediate attention.

Stuffer: Advertising enclosures placed in other media—i.e., newspapers, merchandise packages, mailings for other products, etc.

Subscriber: Individual who has paid to receive a periodical.

Swatching: Attaching samples of material to a printed piece.

Syndicated Mailing: Mailing prepared for distribution by firms other than the manufacturer or syndicator.

Syndicator: One who makes available prepared direct mail promotions for specific products or services to a list owner for mailing to his own list. Most syndicators also offer product fulfillment services.

Tabloid: A preprinted advertising insert of four or more pages, usually about half the size of a regular newspaper page, designed for inserting into a newspaper.

Tape Density: The number of bits of information (bytes) that can be included in each of a specific magnetic tape—e.g., 556 BPI, 800 BPI, 1600 BPI, etc.

Tape Dump: A printout of data on a magnetic tape to be edited and checked for correctness, readability, consistency, etc.

Tape Layout: A simple "map" of the data inincluded in each record and its relative, or specific, location.

Tape Record: All the information about an individual or company contained on a specific magnetic tape.

Teaser: An advertisement or promotion planned to excite curiosity about a later advertisement or promotion.

Telecommunications: Data transmission between a computer system and remotely located devices via a unit that performs the necessary format conversion and controls the rate of transmission over telephone lines, microwaves, etc. Synonymous with Transceive.

Terminal: Any mechanism which can transmit and/or receive data through a system or communications network.

Test Panel: A term used to identify each of the parts or samples in a split test.

Test Tape: A selection of representative records within a mailing list that enables a list user or service bureau to prepare for reformatting or converting the list to a form more efficient for the user.

Throwaway: An advertisement or promotional piece intended for widespread free distribution. Generally printed on inexpensive paper stock, it is most often distributed by hand to passersby or from house-to-house.

Tie-In: Cooperative mailing effort involving two or more advertisers.

Til Forbid: An order for continuing service which is to continue until specifically cancelled by the buyer. Also "TF".

Title: A designation before (prefix) or after (suffix) a name to more accurately identify an individual. (Prefixes–Mr., Mrs., Dr., Sister, etc.; Suffixes–M.D., Jr., President, Sales Manager, etc.)

Time Sharing: Multiple utilization of available computer time, often via terminals, usually shared by different organizations.

Tip-On: An item glued to a printed piece.

Token: An involvement device, often consisting of a perforated portion of an order card designed to be removed from its original position and placed in another designated area on the order card, to signify a desire to purchase the product or service offered.

Town Marker: A symbol used to identify the end of a mailing list's geographical unit. (Originated for "towns" but now used for ZIP Codes, Sectional Centers, etc.).

Traffic Builder: A direct mail piece intended primarily to attract recipients to the mailer's place of business.

Trial Buyer: One who buys a short-term supply of a product, or buys the product with the understanding that it may be examined, used, or tested for a specified time before deciding whether to pay for it or to return it.

Trial Subscriber: A person ordering a publication or service on a conditional basis. The condition may relate to delaying payment, the right to cancel, a shorter than normal term and/or a special introductory price.

Uncollectable: One who hasn't paid for goods and services at the end of a normal series of collection efforts.

Unit Of Sale: Description of the average dollar amount spent by customers on a mailing list.

Universe: Total number of individuals that might be included on a mailing list; all of those fitting a single set of specifications.

Update: Recent transactions and current information added to the Master (main) list to reflect the current status of each record on the list.

Up Front: Securing payment for a product offered by mail order before the product is sent.

UPS: Acronym for United Parcel Service.

Variable Field: A way of laying out for formatting list information that assigns a specific sequence to the data, but doesn't assign it specific positions. While this method conserves space on magnetic tape, it is generally more difficult to work with.

Verification: The process of determing the validity of an order by sending a questionnaire to the customer.

WATS: Acronym for Wide Area Telephone Service. A service providing a special line allowing calls within a certain zone, on a direct dialing basis, for a flat monthly charge.

White Mail: Incoming mail that is not on a form sent out by the advertiser. All mail other than orders and payments.

Window Envelope: Envelope with a die-cut portion on the front that permits viewing the address printed on an enclosure. The "die cut window" may or may not be covered with a transparent material.

Wing Mailer: Label-affixing device that uses strips of paper on which addresses have been printed.

ZIP Code: A group of five digits used by the U.S. Postal Service to designate specific post offices, stations, branches, buildings or large companies.

ZIP Code Count: The number of names and addresses in a list, within each ZIP Code.

ZIP Code Sequence: Arranging names and addresses in a list according to the numeric progression of the ZIP Code in each record. This form of list formatting is mandatory for mailing at bulk third class mail rates, based on the sorting requirements of Postal Service regulations.

Appendix VI
Bibliography

Books/Publications/Directories On Direct Marketing

Books marked with an asterisk (*) may be purchased directly through the DMMA Publications Division. Most of the materials listed here should be available in public library business reference sections.

ACRONYMS AND INITIALISMS DIRECTORY
Fifth Edition. Published by Gale Research Company, Book Tower, Detroit, MI 48226. $38.50. Published every 3 years. Annual supplements published between editions.

ADDRESS ABBREVIATIONS
Publication 59, January 1976. Published by U.S. Postal Service. Available through local postmasters. Free of charge.

ADVERTISING
By James S. Norris. Published by Reston Publishing Company, Inc. A Prentice-Hall Company, 11480 Sunset Hills Road, Reston, VA 22090. $9.95.

ADVERTISING AGE
Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. Weekly. $25.00 for annual subscription.

ADVERTISING PRODUCTION PLANNING AND COPY PREPARATION FOR OFFSET PRINTING
By H. C. Latimer, Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $9.50

ADVERTISING PURE AND SIMPLE
By Hank Seiden. Primarily about television advertising. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $12.95.

ADVERTISING THEORY AND PRACTICE
Ninth Edition, by C.H. Sandage, Ph.D & Vernon Fryburger, Ph.D. Published by Richard D. Irwin, Inc., South Holland, IL 60473. $14.95.

AGENT DIRECTORY
Directory of over 500 manufacturers' representatives specializing in industrial products. Published by Black-Russell-Morris, 2700 Route 22, Union, NJ 07083. Free of charge.

THE ALMANAC OF AMERICAN POLITICS
Published by E. P. Dutton, 2 Park Avenue, New York, NY 10016. $7.95.

AMERICAN REGISTER OF EXPORTERS & IMPORTERS
Lists over 25,000 U.S. exporters and importers, classified by products, banks in world trade and more. Available through B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $42.00.

***BUSINESS MAILERS REVIEW**
Published by Van H. Seagraves, 1813 Sheperd St., Washington, DC 20011. Twice monthly, $72 per year. Available through DMMA.

THE CONGRESSIONAL DIRECTORY
Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Hardbound—$8.50. Paperback—$6.50.

THE CONGRESSIONAL QUARTERLY
Published by the Congressional Quarterly, Inc., 1414 22nd Street, N.W., Washington, DC 20037. $558.00

CONGRESSIONAL RECORD
Daily compendium of all the proceedings in Congress. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $45 for annual subscription.

THE CONGRESSIONAL STAFF DIRECTORY
Charles B. Brownson, Publisher and Editor, P. O. Box 62, Mount Vernon, VA 22121, $19.50.

CUSTOMER SERVICE MANUAL
By Benjamin I. French, Jr. Samples of customer service letters. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $14.95.

***DMMA CATALOG DIRECTORY 1980/81**
Valuable listing of over 1,800 current catalogs. Separate index by product category in addition to names, addresses and some telephone numbers. $14.95 for members/$19.95 for non-members.

***DMMA FACT BOOK ON DIRECT RESPONSE MARKETING 1981**
Revised 1981 Edition. This handbook is a unique comprehensive source of the current facts, figures and background on direct marketing in the U.S. $19.95 for members/$24.95 for non-members.

***DIRECT MAIL ADVERTISING & SELLING FOR RETAILERS**
Chapters written by 26 professionals. Published by National Retail Merchants Association, 100 West 31st Street, New York, NY 10001. $19.95. Available through DMMA.

DIRECT MAIL & DIRECT RESPONSE PROMOTION
By Christian Brann, Marketing Text Series. Direct marketing as practiced in the United Kingdom. Published by Kogan Page Ltd., Grays Inn Road, London W.C. 1, England.

***DIRECT MAIL AND MAIL ORDER HANDBOOK**
Third Edition, by Richard S. Hodgson. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $48.50. Available through DMMA.

DIRECT MAIL LIST RATES & DATA
Published by Standard Rate and Data Service, Inc., 5201 Old Orchard Road, Skokie, IL. 60076. Twice yearly. $65.00 for annual subscription.

DIRECT MARKETING MAGAZINE
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $18.00 annually or included with DMMA membership.

***THE DIRECT MARKETING MARKET PLACE 1980**
By Edward Stern. Published by Hillary House Publishers, 1033 Channel Drive, Hewlett Harbor, NY 11557. $24.95. Available through DMMA.

DIRECTORY OF BUSINESS FORMS COMPANIES: WHO THEY ARE, WHAT THEY MAKE
By the staff of Business Forms Reporter. Published by North American Publishing Company, 134 N. 13th Street, Philadelphia, PA 19107. $47.50

***DIRECTORY OF MAILING LIST HOUSES**
Ninth Edition. Published by B. Klein Publications, P. O. Box 8503, Coral Springs, FL 33065. $30.00 Available through DMMA.

DIRECTORY OF MANUFACTURERS' REPRESENTATIVES
15,000 manufacturers' domestic and export representatives in U.S. and Canada, with products carried and area covered. Published by Manufacturers Agent Publishing Company, 663 Fifth Avenue, New York, NY 10022. $20.00.

DIRECTORY OF POST OFFICES
Published by U.S. Postal Service. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $5.55.

DIRECTORY OF SHOP-BY-MAIL BARGAIN SOURCES
Margaret A. Boyd and Sue Scott-Martin, eds. Published by Pilot Brooks, 347 Fifth Avenue, New York, NY 10016. Lists seven hundred firms that offer consumer goods and services by mail. $2.95.

DO'S AND DON'TS IN ADVERTISING COPY
Published by Council of Better Business Bureaus, Inc., 1150 17th Street, N.W., Washington, DC 20036. $150.00 for first year; $66.00 annual renewals.

ELEMENTS OF STYLE
By William Strunk, Jr. Published by Macmillan Publisting Company, Front & Brown Streets, Riverside, NJ 08075. $4.00.

***ELEPHANTS IN YOUR MAILBOX**
By Roger Horchow. Published by Times Books, 3 Park Avenue, New York, NY 10016. $12.50. Available through DMMA.

FRIDAY REPORT
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $48.00 for annual subscription. Weekly.

FUND RAISING MANAGEMENT
Published by Hoke Communications, Inc., 224 Seventh Street, Garden City, NY 11530. $12.00 for annual subscription. Published every other month.

***FUTURE DEVELOPMENTS IN TELECOMMUNICATIONS**
By James Martin. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $34.95. Available through DMMA.

THE GALLAGHER REPORT
Published by The Gallagher Report, Inc., 230 Park Avenue, New York, NY 10017. $72.00 for annual subscription. Weekly.

THE GOVERNMENT MANUAL
Office of the Federal Register, National Archives and Records Services, Washington, DC 20408. $6.50.

GRAPHIC ARTS ENCYCLOPEDIA
By George Stevenson. Published by McGraw-Hill Book

Company, 1221 Avenue of the Americas, New York, NY 10020. $21.95.

GUIDE TO AMERICAN DIRECTORIES

Lists more than 5,500 directories of every kind—over 300 major classifications. Available through B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $15.00.

HANDBOOK OF ADVERTISING ART PRODUCTION

Second Edition, by Richard M. Schlemmer. Published by Prentice-Hall, Inc., Englewood Cliffs, NJ 07632. $11.95.

*THE HANDBOOK OF INDUSTRIAL DIRECT MAIL ADVERTISING

Edited by Edward N. Mayer, Jr. and Roy G. Ljungren. Published by Business/Professional Advertising Association, 205 E. 42nd Street, New York, NY 10017. $10.00. Available through DMMA.

*HANDBOOK OF INTERNATIONAL DIRECT MARKETING

Edited by John Dillon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $35.00. Available through DMMA.

*HOW TO ADVERTISE

By Kenneth Roman and Jane Maas. Forward by David Ogilvy. Published by St. Martin's Press, 175 Fifth Avenue, New York, NY 10010. $4.95. Available through DMMA.

HOW TO PARTICIPATE PROFITABLY IN TRADE SHOWS

By Robert B. Konikow. Published by Dartnell, 4660 Ravenswood Avenue, Chicago, IL 60640. $57.50

*HOW TO ADVERTISE YOURSELF

By Maxwell Sackheim. Published by Macmillan Publishing Company, Inc., 866 Third Avenue, New York, NY 10022. $5.95. Available through DMMA.

HOW TO PREPARE PROFESSIONAL DESIGN BROCHURES

By Gerre Jones. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $16.50.

*HOW TO START AND OPERATE A MAIL ORDER BUSINESS

Third Edition, by Julian L. Simon. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $19.50. Available through DMMA.

HOW TO START YOUR OWN BUSINESS. . . AND SUCCEED

By Arthur H. Kuriloff and John M. Hemphill, Jr. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $39.95.

*HOW TO WORK WITH MAILING LISTS

By Richard S. Hodgson, Published by DMMA. $10.00 for members/$12.00 for non-members.

*HOW TO WRITE SUCCESSFUL DIRECT MAIL LETTER COPY

By Maxwell C. Ross. Published by DMMA. $8.00 for members/$10.00 for non-members.

INCENTIVES IN MARKETING

By George Meredith and Robert P. Fried. Published by National Premium Sales Executives, 1600 Route 22, Union NJ 07083. A thorough history of incentives usage and techniques used in the field. $17.50.

INDUSTRIAL MARKETING MAGAZINE

Published by Crain Communications, 740 Rush Street, Chicago, IL 60611. $15.00 for annual subscription. Monthly.

INTERNATIONAL MAIL

(Publication 42). Published by U.S. Postal Service. Available from Superintendent of Documents, U.S Government Printing Office, Washington, DC 20402 $9.00.

AN INTRODUCTION TO DIRECT MARKETING

By Chaman L. Jain and Al Migliaro. Published by AMACOM, Division of American Management Associations, 135 West 50th Street, New York, NY 10020. $5.00 for members/$7.50 for non-members.

JANUZ DIRECT MARKETING LETTER

Published by Januz Direct Mail Corp., 3553 West Peterson Avenue, Chicago, IL 60659. $65.00 for annual subscription. Monthly.

JOHN CAPLES: ADMAN

By Gordon White. Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $11.95

*KEEP YOUR CUSTOMERS (AND KEEP THEM HAPPY)

By Stanley J. Fenvessy. Tested guidelines to improve customer communications. Published by Dow Jones-Irwin, 1818 Ridge Road, Homewood, IL 60430. $11.95. Available through DMMA.

*THE LAW & DIRECT MARKETING

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*MAIL ORDER BUSINESS DIRECTORY

1980 Edition. Contains information on 5,900 mail order firms. Arranged geographically by state; product lines listed where known. Published every other year by B. Klein Publications, P.O. Box 8503, Coral Springs, FL 33065. $45.00. Available through DMMA.

THE MAIL ORDER CRAFTS CATALOG

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*MAIL ORDER MOONLIGHTING

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MAILER'S GUIDE TO POSTAL REGULATIONS

Published by Crain Books, 740 Rush Street, Chicago, IL 60611. $45.00.

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By M. Wayne DeLozier, Ph.D. Published by McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, NY 10020. $13.95.

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Gale Research Company, Book Tower, Detroit, MI 48226. Second Edition, Part One, 1978. Detailed current information on newsletters issued on a regular basis by businesses, associations, societies, clubs, government agencies and other groups. $36.00.

THE NATIONAL JOURNAL

Published by the Government Research Corporation, 1730 M Street, N.W., Washington, DC 20036. $10.00 per copy, $300 per year.

NATIONAL TRADE AND PROFESSIONAL ASSOCIATIONS OF THE UNITED STATES AND CANADA AND LABOR UNIONS

1978 Edition. Craig Colgate, Jr. and Patricia Broida, eds. Published by Columbia Books, Inc., Room 601, 734 15th St., N.W., Washington, DC 20005. This directory lists about 6,000 national trade associations, labor unions, scientific or technical societies and other national organizations composed of groups united by a common purpose. $25.00.

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NATIONAL ZIP CODE DIRECTORY

(Publication 65). Published by U.S. Postal Service. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $7.50, or old edition may be exchanged for new edition at local post office free of charge.

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Ellen T. Crowley, ed. Gale Research Company, Book Tower, Detroit, MI 48226. Lists consumer trade names, brand names, product names, coined names, model names and design names, with addresses of manufacturers, importers, marketers or distributors. $45.00.

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A broad range of statistics on U.S. population growth and distribution, social characteristics, employment, income, and race. Available through Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $2.30.

POSTAL LAWS

Transmittal Letter No. 24, December 12, 1974. Available from Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $3.25.

DOMESTIC MAIL MANUAL

This is the replacement for the *Postal Manual*—written in a clearer style. It is an essential document for all mailers since it outlines all postal regulations pertaining to the preparations of mail, rates, classifications, etc.

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Published by JPL Publications, Inc., 128 C Street, N.W., Washington, DC 20001. $84.00 annual subscription. Bi-weekly.

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Published by National Register Publishing Company, Inc., 5201 Old Orchard Road, Skokie, IL 60076. $190.00 annual subscription.

STATISTICAL ABSTRACT OF THE UNITED STATES, 1977

98th Annual Edition. U.S. Department of Commerce, Bureau of the Census. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. $11.00 cloth; $8.50 paperback.

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By Joe Sugarman. Published by Contemporary Books, 180 N. Michigan Ave., Chicago, IL 60601. $9.95. Available through DMMA.

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